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LATVIJAS BANKA

BANK OF LATVIA

1923

LATVIJAS BANKA.
BANK OF LATVIA.

REPORT
FOR
1923.

1924.

PRINTED AT THE STATE PRINTING-OFFICE.

ADMINISTRATION OF THE LATVIJAS BANKA.

on 1st January 1924.

COUNCIL.

RINGOLDS KALNINGS — *Chairman,* Minister of Finance, Member of the Saeima (Parliament).

ADOLFS KLĪVE — *Deputy Chairman,* Member of the Saeima, Chairman and Managing Director of the Latvian Renovation Society "Lats".

PĒTERS SIECENIEKS — Member of the Saeima and Director of the Central Co-operat. Association "Konzums".

JĀNIS VESMANS — Member of the Chair and Secretary of the Saeima.

JĀNIS ZEEBERGS — Chairman of the Riga Exchange Committee, formerly Minister for Commerce and Industry.

FRICIS MENDERS — Member of the Saeima.

ANSIS FRIŠMANS — Chairman of the Latvian Farmers Economical Association.

ALEKSANDRS KĀRKLIŅŠ — Representative of the Minister of Finance, Director of the Credit Department.

KĀRLIS BENZE — Partner of the Commercial-Industrial Association "The Metallist", formerly Member of the Constitutional Assembly.

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JESUPS TRASUNS — Member of the Saeima.

ADOLFS BĻODNIEKS — Director of the First Latvian Insurance and Transport Joint Stock Company, formerly Member of the Constitutional Assembly.

BOARD OF DIRECTORS.

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KĀRLIS VANAGS — *Deputy Director General.*

ALFREDS VARENAIS — *Director.*

VILIS BANDREVIČS — *Director.*

ERNESTS OZOLIŅŠ — *Director.*

to our Commercial and Industrial community, partly also to cover our issues by buying stable foreign currency and gold. But during that first half year the general economic crisis in Europe was becoming more accentuated and the consequences of the war were coming more into existence in Southern and Western Europe, manifesting themselves by a great stagnation in the produce markets.

This state of affairs caused a more rapid collapse of the German mark, soon followed by a falling of the French franc and also affecting to a certain extent the until then stable currency, the English pound. It will be easily understood that these circumstances in international economic life could not be but prejudicial to the regular transactions of the Bank of Latvia, and to the ensuing results.

The item of foreign currencies owned by the Bank on the first July 1923 was about 52 million Lats, out of which English currency was £ 1,803,195, and these, in consequence of the downward movement of the pound then and afterwards, caused the Bank a serious loss, for the compensation of which nearly the whole profit of that year was spent. The fact is that at the close of the year 1923, our pounds Sterling account gave a loss of Lats 1,691,199, having against it the profit item of received interest Lats 1,135,510, leaving thereby a net loss of Lats 555,689.

Also we had to go through an economic crisis of our own country in 1923, caused by cold and continuously rainy weather which partly damaged all produce, hindering and to a great extent preventing the gathering of the harvest. The solvency of our farmers became most dubious. Naturally our commerce and industry had to suffer from this and turnovers were restricted. The Bank had to respond to these negative manifestations in our economic life by a livelier activity on its part in the course of the latter half year, where the Bank's active operations were called forth much more and in another way than in the first half year.

However this pecuniary depression did not affect the stability of the Lat.

The emissions of new notes, having reached at that time 23 millions of lats, have not been increased by the Bank, the active operations of which are developing by the utilisation of other passive accounts.

The assets in the latter half of the year have increased by nearly 23 millions of lats, reaching a turnover of lats 122,761,000 against Lats 32,240,000 at the beginning of the Bank's operations.

In the course of the last half year the more important augmentations in the liabilities were:

Deposits, by	Lats	1,723,000·—
Accounts current, by	„	8,214,000·—
State's Deposits, by	„	4,688,000·—
State's account, by	„	3,521,000·—
Various other liabilities, by .	„	4,335,000·—
	together Ls	22,481,000·—

These resources are being productively appropriated for Credits to our commercial, industrial and, during the last months, to our agricultural needs.

Augmentations in the active accounts were as follows:

1st half year		2nd half year	
Gold by	Ls 2,762,000·—	by	Ls 734·000·—
Foreign Currency by .	„ 19,986,000·—	decreased by	Ls 1,663,000·—
Short Bills by	„ 3,555,000·—	by	Ls 9,423,000·—
Loans against security by	Ls 5,518,000·—	by	„ 9,610,000·—
Other assets	—	by	„ 2,814,000·—

Here it is characteristic that the intense absorption of Credits at home causes a decrease in the supply of foreign currency at the Bank, showing thereby that the Bank is acting not only as a regulator in the money circulation, but also as a supporting factor in the State household, and its balance sheet truly reflects the features of our current economic life.

In the course of the year 1923 the Latvijas Banka granted Credits as follows:

(in thousands)		Balances on 1 I 1924
Discounting Bills	for Ls 67,053·—	Ls 20,039·—
Loans on goods	„ „ 4,160·—	„ 1,192·—
„ on other secur. . .	„ „ 6,528·—	„ 3,061·—
Accreditives	„ „ 11,415·—	„ 1,291·—
Special curr. a./c.	„ „ 22,708·—	„ 9,359·—
Loans on industrial plant .	„ „ 1,590·—	„ 680·—
„ on agricult. implements	„ „ 90·—	„ 38·—
Special a./c. secured by Bills	„ „ 6,303·—	„ 3,013·—
	totalling Lats 119,847·—	Ls 38,673·—

from which it appears that the most important item was the discounting of Bills, being more than half of all loan operations, the same proportion remaining also in the balance sheet per 1 January 1924.

Loans on agricultural implements are insignificant because these transactions commenced only in the latter half of December.

Notwithstanding the financial difficulties prevailing that year, the number of protested Bills, compared with the discounted amounts was not great. On January 1st 1923 there were protested Bills to the amount of Lats 640·—.

During the year 1923 Bills were protested for a total amount

of	Ls 105,456·—
of which were redeemed for	„ 74,436·—
leaving un-redeemed on 1st January 1924 .	„ 31,660·—

The total amount of Bills discounted having been Lats 67,053,000, the percentage for protested Bills is 0·0005 or $^1/_{20}{}^0/_0$.

Protested Bills have not caused any real loss to the Bank and the outstanding amounts are being recovered.

No losses have been sustained from loans.

The Profit and Loss Account shows the following items:

Receipts:

From discounting operations	Ls	1,037,672·70
„ special current accounts	„	590,909·40
„ advances	„	205,117·37
„ accreditives	„	121,094·11
„ accounts of correspondents	„	1,135,510·88
„ interest & comission	„	379,062·83
„ gold specie	„	201,085·57
„ silver specie	„	15,642·51
„ precious metals	„	66,711·61
„ foreign specie, drafts & securities	„	59,481·30
	Total Ls	3,812,288·28

Expenditure:

Interest on various deposits	Ls	849,020·38
Salaries	„	852,758·71
Administration	„	25,803·85
Bank household	„	211,258·53
Loss on foreign currency deposits with correspondents	„	1,691,199·23
Net Profit per 1923	„	182,247·58
	Total Ls	3,812,288·28

On the first January 1924 there stand affiliated to the Head Office of Riga 22 Branches of which 7 are executing all banking transactions at home and directly with abroad, the operations of the other Branches being limited to home service.

Four of these Branches have worked with success, giving profits:

Ventspils (Windau)	Ls	75,114·74
Liepāja (Libau)	„	67,398·84
Valmiera (Wolmar)	„	9,895·49
Jelgava (Mitau)	„	3,524·08
	Total Ls	155,933·15

The other 18 Branches have given a loss of together Ls 219,362·30. Of these 15 are not doing active banking transactions, but operating for and on behalf of the Treasury.

The Office staff was constituted as follows:

	Head Office	Branches
Members of the Council	12	—
Directors	5	—
Officials	256	234
Servants	22	33

562 persons in all. Members of the Discount Committee with the Head Office at Riga were 20 persons, with the Branches 62 persons.

Real property acquired by the Bank is booked per 1 January 1924 with Lats 146,233·77, such property having been appropriated for the Branch Offices at Tukum and Cēsis (Wenden).

BRANCHES OF THE LATVIJAS BANKA IN LATVIA.

EXECUTING ALL BANKING OPERATIONS:

Liepāja (Libau)	Manager	*A. Dumpe.*
Ventspils (Windau)	„	*A. Neretnieks.*
Jelgava (Mitau)	„	*J. Lecis.*
Daugavpils (Dünaburg) . .	„	*V. Oglevics.*
Rēzekne (Rositten)	„	*M. Bērziņš.*
Valmiera (Wolmar)	„	*P. Kuplis.*
Cēsis (Wenden)	„	*E. Baltais.*

OPERATIONS OF WHICH ARE LIMITED:

Kuldīga (Goldingen) . . .	Manager	*K. Pinkovskis.*
Tukums	„	*O. Paune.*
Talsi	„	*F. Grinvalds.*
Smiltene	„	*E. Apse.*
Alūksne (Marienburg) . . .	„	*D. Liezers.*
Saldus (Frauenburg) . . .	„	*F. Gailis.*
Bauska	„	*J. Indus.*
Jēkabmiests (Jakobstadt) .	„	*F. Skujskubris.*
Jaunjelgava (Fridrichstadt) .	„	*Ž. Fogelmans.*
Aizpute (Hasenpoth) . . .	„	*J. Ruškevics.*
Rūjiena	„	*V. Leimans.*
Valka	„	*J. Ķimins.*
Madona	„	*P. Apsīts.*
Limbaži (Lemsal)	„	*K. Cīruls.*
Ludza (Lucin)	„	*K. Vītols.*

RETURNS

1923

(IN LATS.)

I. Capital.

Capital on 31 December 1923 . . . . . 10,214,095·07

II. Reserve Fund.

Reserve Fund on 31 December 1923 . . . . . 943,654·47

	Head Office	Branches	Total
III. Returns.			
For 1923	1661823396 35	401,323,143 88	2063146540 23
IV. Cash.			
Money in Cash per 1 I 1923	1,449,534 39	2,643,867 90	4,093,402 29
Received in 1923	332,001,835 97	116,087,345 37	448,089,181 34
	333,451,370 36	118,731,213 27	452,182,583 63
Paid out in 1923	327,969,755 74	110,061,717 23	438,031,472 97
Balance per 31 XII 1923	5,481,614 62	8,669,496 04	14,151,110 66
V. Gold specie.			
Cash per 1 I 1923	13,016,727 26	3,919 28	13,020,646 54
Received in 1923	1,987,484 15	69,497 03	2,056,981 18
	15,004,211 41	73,416 31	15,077,627 72
Paid in 1923	14,757,264 38	39,221 03	14,796,485 41
Balance per 31 XII 1923	246,947 03	34,195 28	281,142 31
Profit on gold specie	202,884 71	— —	202,884 71
Loss on gold specie	— —	1,799 14	1,799 14
Deducting loss with Branches . . .	1,799 14	— —	— —
Remains net profit on gold specie . .	201,085 57	— —	201.085 57
VI. Silver specie.			
Balance on 1 I 1923	9,039 76	3,334 85	12,374 61
Received in 1923	143,823 16	46,993 32	190,816 48
	152,862 92	50,328 17	203,191 09
Paid in 1923	149,064 18	46,185 18	195,249 36
Balance on 31 XII 1923	3,798 74	4,142 99	7,941 73
Profit on silver specie	14,665 42	977 09	15,642 51

	Head Office	Branches	Total
VII. Precious metals.			
Balance on 1 I 1923	8,447 70	— —	8,447 70
Received in 1923	8,079,961 65	— —	8,079,961 65
	8,088,409 35	— —	8,088,409 35
Paid in 1923	5,376,793 70	— —	5,376,793 70
Balance on 31 XII 1923	2,711,615 65	— —	2,711,615 65
Profit on precious metals	66,711 61	— —	66,711 61
VIII. Precious metals. State deposit.			
Balance on 1 I 1923	— —	— —	— —
Received in 1923	16,672,769 71	— —	16,672,769 71
	16,672,769 71	— —	16,672,769 71
Paid in 1923	2,939,878 96	— —	2,939,878 96
Balance on 31 XII 1923	13,732,890 75	— —	13,732,890 75
IX. Foreign Currency.			
Balance on 1 I 1923	281,131 59	11,062 93	292,194 52
Received in 1923	5,852,607 79	479,681 25	6,332,289 04
	6,133,739 38	490,744 18	6,624,483 56
Paid in 1923	5,667,612 76	436,056 67	6,103,669 43
Balance on 31 XII 1923	466,126 62	54,687 51	520,814 13
Profit on foreign currency	39,109 51	4,761 66	43,871 17
Commission received on foreign curr.	6,451 21	10,955 69	17,406 90
	45,560 72	15,717 35	61,278 07
X. Money in transit.			
Balance on 1 I 1923	11,789 10	24 80	11,813 90
Remitted to correspondents	2,823,572 28	108,005 11	2,931,577 39
	2,835,361 38	108,029 91	2,943,391 29
Received by correspondents	1,987,505 13	108,029 91	2,095,535 04
Balance on 31 December 1923	847,856 25	— —	847,856 25
Profit	316 75	4 05	320 80

	Head Office	Branches	Total
XI. Foreign Drafts.			
Balance on 1 I 1923	— —	544 60	544 60
Received during the year	— —	790,887 66	790,887 66
	— —	791,432 26	791,432 26
Sent during the year	— —	790,515 05	790,515 05
Balance on 31 XII 1923	— —	917 21	917 21
Profit	— —	19 56	19 56
XII. Foreign Drafts with Corresp.			
Balance on 1 I 1923	1,035,721 09	1,651 87	1,037,372 96
Sent to corresp. in 1923	37,353,608 93	826,897 56	38,180,506 49
	38,389,330 02	828,549 43	39,217,879 45
Collected by correspondents	36,294,358 04	785,906 02	37,080,264 06
Balance on 31 XII 1923	2,094,971 98	42,643 41	2,137,615 39
Loss on these drafts	248 92	— —	248 92
Profit on these drafts	— —	2,082 19	2,082 19
XIII. Bonds.			
Balance on 1 I 1923	106,357 79	16,486 81	122,844 60
Received in 1923	37,329 92	46,061 05	83,390 97
	143,687 71	62,547 86	206,235 57
Delivered in 1923	111,302 71	40,332 86	151,635 57
Balance on 31 XII 1923	32,385 —	22,215 —	54,600 —
Profit on bonds	7,021 58	1,237 37	8,258 95
Specification of bonds held by the Head Office:			
4% Latv. internal loan . . . à Ls 2·—	944 —		
5% „ Liberty loan of 1918 „ „ —·50	1,825 —		
5% „ „ „ 1918 „ „ 1·—	18,961 —		
5% „ „ „ 1918 „ „ 5·—	10,655 —		
Total pieces 25,214	32,385 —		

	Head Office	Branches	Total
Bonds held by Branches:			
4% Latv. interior loan . . à Ls 2·—		16.580 —	
5% „ Liberty loan of 1918 „ „ —·50		350 —	
5% „ „ „ 1918 „ „ 1·—		2.720 —	
5% „ „ „ 1918 „ „ 5·—		1.455 —	
5% „ „ „ 1918 „ „ 10·—		1.110 —	
Total pieces 12,112		22.215 —	
XIV. Discounted Bills.			
Balance on 1 I 1923	5,350,943 53	435,066 28	5,786,009 81
Discounted in 1923	49,305,210 90	12,571,604 46	61,876,815 36
	54,656,154 43	13,006,670 74	67,662,825 17
Redeemed in 1923	39,096,483 61	8,852,599 98	47,949,083 59
Balance on 31 XII 1923	15,559,670 82	4,154,070 76	19,713,741 58
Interest received	847,804 23	189,868 47	1,037,672 70
Commission received	12,752 28	12,595 33	25,347 61
	860,556 51	202,463 80	1,063,020 31
XV. Discounted Bills with Correspond.			
Balance on 1 I 1923	228,204 11	89,110 82	317,314 93
Sent in 1923	2.846,575 12	2,330,392 03	5,176,967 15
	3,074,779 23	2,419,502 85	5,494,282 08
Redeemed and returned	2,930,512 11	2,237,883 84	5,168,395 95
Balance on 31 XII 1923	144,267 12	181,619 01	325,886 13
XVI. Discounted Commerc. Securities.			
Balance on 1 I 1923	100,000 —	— —	100,000 —
Discounted in 1923	7,146 —	— —	7,146 —
	107,146 —	— —	107,146 —
Redeemed in 1923	8,457 92	— —	8,457 92
Balance on 31 XII 1923	98,688 08	— —	98,688 08
Commission received	11 20	— —	11 20

	Head Office	Branches	Total
XVII. Special Current Accounts.			
a) secured by Bills.			
Balance on 1 I 1923	968,230 86	89,824 70	1,058,055 56
Paid in 1923	4,278,184 25	2,025,019 53	6,303,203 78
	5,246,415 11	2,114,844 23	7,361,259 34
Refunded in 1923	3,466,147 —	881,482 38	4,347,629 38
Balance on 31 XII 1923	1,780,268 11	1,233,361 85	3,013,629 96
Interest received	45,273 70	44,716 17	89,989 87
Commission received	142 29	3,344 33	3,486 62
	45,415 99	48,060 50	93,476 49
b) covered by various securities.			
Balance on 1 I 1923	232,407 50	21 72	232,429 22
Paid in 1923	8,669,177 46	202,389 45	8.871,566 91
	8,901,584 96	202,411 17	9,103,996 13
Repaid in 1923	5,950,687 41	1,920 34	5,952,607 75
Balance on 31 XII 1923	2,950,897 55	200,490 83	3,151,388 38
Interest received	173,396 81	4,546 43	177,943 24
Commission received	22,325 50	166 70	22,492 20
	195,722 31	4,713 13	200,435 44
c) Covered by goods.			
Balance on 1 I 1923	1,251,020 65	323,037 64	1,574,058 29
Paid in 1923	8,507,519 79	2,486,140 62	10,993,660 41
	9.758,540 44	2,809,178 26	12,567,718 70
Refunded in 1923	5.582,860 02	1,259,651 53	6,842,511 55
Balance on 31 XII 1923	4,175,680 42	1,549,526 73	5,725,207 15
Interest received	209,740 65	97,556 05	307,296 70
Commission received	31,350 58	24,800 26	56,150 84
	241,091 23	122,356 31	363,447 54

	Head Office	Branches	Total
d) Covered by documents for goods.			
Balance on 1 I 1923	46,793 03	61,325 71	108,118 74
Paid in 1923	1,273,555 96	1,569,865 43	2,843,421 39
	1,320,348 99	1,631,191 14	2,951,540 13
Refunded in 1923	1,049,219 87	1,419,796 06	2,469,015 93
Balance on 31 XII 1923	271,129 12	211,395 08	482,524 20
Interest received	7,859 16	7,820 43	15,679 59
Commission received	3,723 64	4,251 18	7,974 82
	11,582 80	12,071 61	23,654 41
XVIII. Loans.			
a) against bonds and other securities.			
Balance on 1 I 1923	— —	54 —	54 —
Afforded in 1923	6,417,846 20	110,572 —	6,528,418 20
	6,417,846 20	110,626 —	6,528,472 20
Refunded in 1923	3,445,829 46	21,362 —	3,467,191 46
Balance on 31 XII 1923	2,972,016 74	89,264 —	3,061,280 74
Interest received	96,356 52	2,808 90	99,165 42
b) against industrial and agricultural plant.			
Balance on 1 I 1923	— —	— —	— —
Afforded in 1923	1,361,936 62	318,004 34	1,679,940 96
	1,361,936 62	318,004 34	1,679,940 96
Refunded in 1923	834,196 62	127,600 —	961,796 62
Balance on 31 XII 1923	527,740 —	190,404 34	718,144 34
Interest received	27,060 55	7,921 66	34,982 21
c) against goods.			
Balance on 1 I 1923	586,074 50	75,879 20	661,953 70
Afforded in 1923	3,673,236 85	111,251 07	3,784,487 92
	4,259,311 35	187,130 27	4,446,441 62

	Head Office		Branches		Total	
Transport	4,259,311	35	187,130	27	4,446,441	62
Refunded in 1923	3,298,022	37	185,130	27	3,483,152	64
Balance on 31 XII 1923	961,288	98	2,000	—	963,288	98
Interest received	59,938	01	3,135	57	63,073	58
d) against documents covering goods or warrants.						
Balance on 1 I 1923	34,200	—	—	—	34,200	—
Afforded in 1923	341,026	—	20,000	—	361,026	—
	375,226	—	20,000	—	395,226	—
Refunded in 1923	245,534	—	20,000	—	265,534	—
Balance on 31 XII 1923	129,692	—	—	—	129,692	—
Interest received	6,343	87	1,552	29	7,896	16
XIX. Advances against documents.						
Balance on 1st January 1923 . . .	—	—	840	—	840	—
Advances in 1923	4,000	—	4,600	—	8,600	—
	4,000	—	5,440	—	9,440	—
Refunded in 1923	4,000	—	5,440	—	9,440	—
Balance on 31 XII 1923	—	—	—	—	—	—
Interest received	—	—	17	73	17	73
Commission received	—	—	21	—	21	—
	—	—	38	73	38	73
XX. Accreditives on Goods.						
Balance on 1st January 1923 . . .	597,365	54	—	—	597,365	54
Opened in 1923	11,374,678	60	40,954	32	11,415,632	92
	11,972,044	14	40,954	32	12,012,998	46
Refunded in 1923	10,680,692	04	45,226	92	10,725,918	96
Balance on 31 XII 1923 . . . (deb.)	1,291,352	10	(cred.)4,272	60	1,287,079	50
Interest received	120,962	17	131	94	121,094	11
Commission received	74,399	24	1,415	92	75,815	16
	195,361	41	1,547	86	196,909	27

	Head Office	Branches	Total
XXI. Accounts with Correspondents „Nostro".			
Balance on 1st January 1923 . . .	— —	— —	— —
In favour of Latvijas Banka	31,309,614 93	— —	31,309,614 93
In favour of Correspondents	21,872 02	— —	21,872 02
Credit balance in favour of Latvijas Banka	31,287,742 91	— —	31,287,742 91
Correspondents received from Latvijas Banka in 1923	143,345,500 58	15 47	143,345,516 05
	174,633,243 49	15 47	174,633,258 96
Correspondents paid for Latvijas Banka	127,718,184 58	15 47	127,718,200 05
Balance on 31 XII 1923	46,915,058 91	— —	46,915,058 91
In favour of Latvijas Banka	46,918,530 64	— —	46,918,530 64
In favour of Correspondents	3,471 73	— —	3,471 73
	46,915,058 91	— —	46,915,058 91
Interest paid	3,215 68	— —	3,215 68
Interest received	1,133,480 34	— —	1,133,480 34
Loss on foreign currencies	2,663,491 71	— —	2,663,491 71
Deducting profit on curr. a/c. of foreign currencies	972,292 48	— —	972,292 48
Remains as loss on foreign currency with correspondents	1,691,199 23	— —	1,691,199 23
XXII. Accounts with Correspondents „Loro".			
Balance on 1st January 1923 . . .	— —	— —	— —
In favour of Latvijas Banka	— —	— —	— —
In favour of Correspondents	68,843 60	— —	68,843 60
Received from Correspondents in 1923	2,257,674 32	— —	2,257,674 32
	2,326,517 92	— —	2,326,517 92
Remitted to Correspondents in 1923 .	2,123,707 34	— —	2,123,707 34
Balance on 31 December 1923 . . .	202,810 58	— —	202,810 58
Balance in favour of Correspondents	206,351 08	— —	206,351 08
Balance in favour of Latvijas Banka .	3,540 50	— —	3,540 50
Balance remaining in favour of Corresp.	202,810 58	— —	202,810 58
Interest received	2,030 54	— —	2,030 54
Interest paid	5,807 10	— —	5,807 10

	Head Office		Branches		Total	
XXIII. Collections.						
a) Bills collected.						
Balance on 1 I 1923	220,447	04	341,825	18	562,272	22
Entered in 1923	3,066,758	57	7,688,777	62	10,755,536	19
	3,287,205	61	8,030,602	80	11,317,808	41
Redeemed in 1923	3,007,854	65	7,586,291	38	10,594,146	03
Balance on 31 XII 1923	279,350	96	444,311	42	723,662	38
b) Documents collected.						
Balance on 1 I 1923	607,165	50	15,529	06	622,694	56
Entered in 1923	2,366,928	37	854,218	95	3,221,147	32
	2,974,093	87	869,748	01	3,843,841	88
Delivered in 1923	2,342,357	39	818,507	36	3,160,864	75
Balance on 31 XII 1923	631,736	48	51,240	65	682,977	13
c) Bills sent to Correspondents and Branches.						
Balance on 1 I 1923	71,960	45	23,376	14	95,336	59
Transmitted in 1923	3,057,370	03	536,339	73	3,593,709	76
	3,129,330	48	559,715	87	3,689,046	35
Redeemed in 1923	2,967,826	74	540,593	98	3,508,420	72
Balance on 31 XII 1923	161,503	74	19,121	89	180,625	63
d) Documents sent to Correspondents and Branches.						
Balance on 1 I 1923	11,469	12	2,569	80	14,038	92
Transmitted in 1923	1,544,603	69	141,718	77	1,686,322	46
	1,556,072	81	144,288	57	1,700,361	38
Delivered in 1923	1,387,972	59	143,651	57	1,531,624	16
Balance on 31 XII 1923	168,100	22	637	—	168,737	22
e) Collections Creditors.						
Balance on 1 I 1923	911,042	11	383,300	18	1,294,342	29
Received doc. for collect. in 1923 . .	10,035,660	66	9,213,584	81	19,249,245	47
	10,946,702	77	9,596,884	99	20,543,587	76
Delivered in 1923	9,706,011	37	9,081,574	03	18,787,585	40
Balance on 31 XII 1923	1,240,691	40	515,310	96	1,756,002	36
Rec. Commission on these transactions	13,879	54	6,576	32	20,455	86

	Head Office	Branches	Total
XXIV. Movables.			
Balance on 1 I 1923	32,612 30	44,108 —	76,720 30
Acquisitions in 1923	36,015 96	26,832 79	62,848 75
	68,628 26	70,940 79	139,569 05
Written off	3,909 80	336 28	4,246 08
Balance on 31 XII 1923	64,718 46	70,604 51	135,322 97
XXV. Real Property.			
Balance on 1 I 1923	10,820 80	— —	10,820 80
Acquisitions in 1923	— —	10,910 80	10,910 80
	10,820 80	10,910 80	21,731 60
Written off on behalf of Tukums Branch	10,820 80	— —	10,820 80
Balance on 31 XII 1923	— —	10,910 80	10,910 80
XXVI. Protested Bills.			
Balance on 1 I 1923	640 —	— —	640 —
Protested in 1923	92,986 20	12,471 40	105,457 60
	93,626 20	12,471 40	106,097 60
Redeemed in 1923	63,060 62	11,376 —	74,436 62
Balance on 31 XII 1923	30,565 58	1,095 40	31,660 98
XXVII. Transitory Values.			
Balance on 1 I 1923	26 82	17,085 56	17,112 38
Received in 1923	33,576,768 65	2,133,271 82	35,710,040 47
	33,576,795 47	2,150,357 38	35,727,152 85
Disbursed	31,841,868 11	878,649 58	32,720,517 69
Balance on 31 XII 1923	1,734,927 36	1,271,707 80	3,006,635 16
XXVIII. Disbursements to be refunded.			
Balance on 1 I 1923	3,465 —	921 79	4,386 79
Disbursed in 1923	16,177 35	6,820 36	22,997 71
	19,642 35	7,742 15	27,384 50
Refunded in 1923	13,445 76	6,867 53	20,313 29
Balance on 31 XII 1923	6,196 59	874 62	7,071 21

	Head Office		Branches		Total	
XXIX. Special current accounts secured.						
Balance on 1 I 1923	4,369,883	76	1,130,430	05	5,500,313	81
Paid in to a./c. in 1923	24,202,884	02	9,006,755	96	33,209,639	98
	28,572,767	78	10,137,186	01	38,709,953	79
Paid out in 1923	15,857,820	78	6,187,417	21	22,045,237	99
Balance on 31 XII 1923	12,714,947	—	3,949,768	80	16,664,715	80
XXX. Special current accounts secured by Bills bearing two signatures.						
Balance on 1 I 1923	—	—	—	—	—	—
Paid in to a./c. in 1923	4,163,777	28	879,251	40	5,043,028	68
	4,163,777	28	879,251	40	5,043,028	68
Paid out in 1923	1,792,429	41	377,946	—	2,170,375	41
Balance on 31 XII 1923	2,371,347	87	501,305	40	2,872,653	27
XXXI. Securities against advances and accreditives granted.						
Balance on 1 I 1923	488,684	28	242,644	19	731,328	47
Received in 1923	9,775,610	88	30,110	—	9,805,720	88
	10,264,295	16	272,754	19	10,537,049	35
Refunded in 1923	6,434,249	49	269,954	19	6,704,203	68
Balance on 31 XII 1923	3,830,045	67	2,800	—	3,832,845	67
XXXII. Bill Deposits.						
Balance on 1 I 1923	—	—	—	—	—	—
Received in 1923	18,005,197	72	307,660	—	18,312,857	72
	18,005,197	72	307,660	—	18,312,857	72
Repaid in 1923	4,526,847	—	21,300	—	4,548,147	—
Balance on 31 XII 1923	13,478,350	72	286,360	—	13,764,710	72
XXXIII. Administration of Posts & Telegraphs.						
Balance on 1 I 1923	—	—	462	90	462	90
Paid out in 1923	—	—	10,612	04	10,612	04
	—	—	11,074	94	11,074	94
Received in 1923	—	—	11,074	94	11,074	94
Balance on 31 XII 1923	—	—	—	—	—	—

	Head Office	Branches	Total
XXXIV. Banknotes in circulation.			
Balance on 1 I 1923	9,800,000 —	— —	9,800,000 —
Issued in 1923	13,235,500 —	— —	13,235,500 —
	23,035,500 —	— —	23,035,500 —
Withdrawn in 1923	35,500 —	— —	35,500 —
Balance on 31 XII 1923	23,000,000 —	— —	23,000,000 —
XXXV. Deposits.			
a) Terminated.			
Balance on 1 I 1923	89,052 26	11,529 94	100,582 20
Paid in in 1923	229,646 96	53,808 58	283,455 54
	318,699 22	65,338 52	384,037 74
Paid out in 1923	68,404 72	11,649 11	80,053 83
Balance on 31 XII 1923	250,294 50	53,689 41	303,983 91
Paid interest on these	1,874 81	2,374 62	4,249 43
b) unterminated (saving booklets).			
Balance on 1 I 1923	341,337 90	510,427 13	851,765 03
Paid in in 1923	884,020 19	1,157,664 23	2,041,684 42
	1,225,358 09	1,668,091 36	2,893,449 45
Paid out in 1923	540,312 06	704,850 10	1,245,162 16
Balance on 31 XII 1923	685,046 03	963,241 26	1,648,287 29
Paid interest	26,844 70	29,647 40	56,492 10
c) bearing no interest and not terminated.			
Balance on 1 I 1923	— —	25,912 14	25,912 14
Paid in in 1923	— —	378,947 49	378,947 49
	— —	404,859 63	404,859 63
Paid out in 1923	— —	339,443 74	339,443 74
Balance on 31 XII 1923	— —	65,415 89	65,415 89
XXXVI. Accounts Current.			
a) Ordinary current accounts (bearing interest).			
Balance on 1 I 1923	8,770,251 56	1,528,372 31	10,298,623 87
Paid in in 1923	172,915,323 37	54,730,091 59	227,645,414 96
Transport	181,685,574 93	56,258,463 90	237,944,038 83

	Head Office		Branches		Total	
Transport	181,685,574	93	56,258,463	90	237,944,038	83
Paid out in 1923	161,066,620	57	54,103,139	46	215,169,760	03
Balance on 31 XII 1923	20,618,954	36	2,155,324	44	22,774,278	80
Paid interest	627,471	26	64,289	73	691,760	99
b) Current accounts bearing no interest.						
Balance on 1 I 1923	1,631,391	92	107,378	02	1,738,769	94
Paid in in 1923	6,128,350	31	7,585,570	91	13,713,921	22
	7,759,742	23	7,692,948	93	15,452,691	16
Paid out in 1923	7,344,545	38	7,237,113	60	14,581,658	98
Balance on 31 XII 1923	415,196	85	455,835	33	871,032	18
c) Current accounts in foreign currency.						
Balance on 1 I 1923	1,644,910	11	—	—	1,644,910	11
Paid in in 1923	35,924,037	97	459,976	77	36,384,014	74
	37,568,948	08	459,976	77	38,028,924	85
Paid out in 1923	21,761,739	10	423,520	60	22,185,259	70
Balance on 31 XII 1923	15,807,208	98	36,456	17	15,843,665	15
Paid interest	87,425	39	69	69	87,495	08
Profit	972,292	48	—	—	972,292	48
Written off for losses on foreign currency with correspondents.						
XXXVII. Transfers.						
a) inward, not paid out.						
Balance on 1 I 1923	17,647	36	13,848	42	31,495	78
Transferred during the year	846,938	96	3,243,814	71	4,090,753	67
	864,586	32	3,257,663	13	4,122,249	45
Paid out during the year	855,018	63	3,236,026	89	4,091,045	52
Balance on 31 XII 1923	9,567	69	21,636	24	31,203	93
Commission received	5,306	85	4,156	67	9,463	52

	Head Office	Branches	Total
b) Outward, not paid out.			
Balance on 1 I 1923	15,245 19	— —	15,245 19
Transferred during the year	997,692 26	— —	997,692 26
	1,012,937 45	— —	1,012,937 45
Paid out during the year	999,137 97	— —	999,137 97
Balance on 31 XII 1923	13,799 48	— —	13,799 48
Commission received	34,726 98	— —	34,726 98
c) Payments ordered.			
Balance on 1 I 1923	59,932 27	— —	59,932 27
Ordered during the year	10,461,358 80	91,081 68	10,552,440 48
	10,521,291 07	91,081 68	10,612,372 75
Paid out during the year	10,429,233 52	91,081 68	10,520,315 20
Balance on 31 XII 1923	92,057 55	— —	92,057 55
XXXVIII. Head Office & Branches.			
Balance on 1 I 1923	— —	— —	— —
Liabilities of Branches to the Head Office	1,273,544 93	— —	— —
With the Branches Assets of the Head „	— —	1,273,544 93	— —
During the year 1923:			
With the Head Office Branches were debited for	83,468,639 71	— —	— —
With the Branches the Head Office was credited for	— —	94,447,454 15	— —
	84,742,184 64	95,720,999 08	— —
With the Head Office Branches were credited for	73,029,200 49	— —	— —
With the Branches the Head Office was debited for	— —	84,008,014 93	— —
Balance on 31 XII 1923:			
With the Head Office, Branches were debited for	11,712,984 15	— —	— —
With the Branches the Head Office was credited for	— —	11,712,984 15	— —
XXXIX. Various Persons and Institutions.			
Balance on 1 I 1923	405,749 16	339,771 60	745,520 76
Paid in 1923	4,248,197 76	30,822,872 27	35,071,070 03
	4,653,946 92	31,162,643 87	35,816,590 79
Paid out in 1923	4,599,332 88	30,960,680 73	35,560,013 61
Balance on 31 XII 1923	54,614 04	201,963 14	256,577 18

	Head Office	Branches	Total
XL. Transitory sums.			
Balance on 1 I 1923 Deb.	— —	16,808 37	
„ „ 1 I 1923 Cred.	1,009,549 70	— —	
Entered during 1923 at Head Office	26,250,161 97	— —	
Written off with Branches	— —	2,313,845 96	
	27,259,711 67	2,330,654 33	
Written off with Head Office . . .	23,460,512 59	— —	
Entered with Branches	— —	2,417,710 98	
Balance on 31 XII 1923 Cred. . . .	3,799,199 08	87,056 65	3,886,255 73
XLI. Government Tax.			
Balance on 1 I 1923	— —	— —	— —
Received during the year	38,935 98	4,992 07	43,928 05
	38,935 98	4,992 07	43,928 05
Transferred to public revenue a/c. .	38,935 98	4,992 07	43,928 05
Balance on 31 XII 1923	— —	— —	— —
XLII. Various securities committers a/c.			
Balance on 1 I 1923	4,858,568 04	1,373,074 24	6,231,642 28
Entered during the year	42,947,997 14	9,248,856 47	52,196,853 61
	47,806,565 18	10,621,930 71	58,428,495 89
Paid out during the year	15,411,873 92	5,881,696 51	21,293,570 43
Balance on 31 XII 1923	32,394,691 26	4,740,234 20	37,134,925 46
XLIII. Transitory Committers a/c.			
Balance on 1 I 1923	26 82	17,085 56	17,112 38
Entered during the year	33,576,768 65	2,087,311 82	35,664,080 47
	33,576,795 47	2,104,397 38	35,681,192 85
Paid out during the year	31,841,868 11	832,689 58	32,674,557 69
Balance on 31 XII 1923	1,734,927 36	1,271,707 80	3,006,635 16
XLIV. State Accounts.			
a) Expenditure.			
Balance on 1 I 1923	124,548,548 67	— —	124,548,548 67
Expenditure during the year	242,650,214 79	1,086,260 29	243,736,475 08
	367,198,763 46	1,086,260 29	368,285,023 75
Refunded and transferred in 1923 . .	236,075,539 23	1,086,260 29	237,161,799 52
Balance on 31 XII 1923	131,123,224 23	— —	131,123,224 23

	Head Office		Branches		Total	
b) Revenue.						
Balance on 1 I 1923	135,389,918	19	—	—	135,389,918	19
Received in 1923	278,080,670	74	33,633,468	71	311,714,139	45
	413,470,588	93	33,633,468	71	447,104,057	64
Refunded and transferred in 1923 . .	263,257,375	38	33,633,468	71	296,890,844	09
Balance on 31 XII 1923	150,213,213	55	—	—	150,213,213	55
c) Deposits and special resources.						
Balance on 1 I 1923	13,445,865	23	2,737	33	13,448,602	56
Entered during the year	31,637,565	48	4,620,647	23	36,258,212	71
	45,083,430	71	4,623,384	56	49,706,815	27
Paid out during the year	25,486,125	70	3,713,891	55	29,200,017	25
Balance on 31 XII 1923	19,597,305	01	909,493	01	20,506,798	02

PROFIT AND LOSS ACCOUNT

1923.

Debet. **Profit and**

	Head Office		Branches		Total	
Paid:						
Interest on terminated deposits . . .	1,874	81	2,374	62	4,249	43
„ „ untermin. „ . . .	26,844	70	29,647	40	56,492	10
„ „ current a/c.	627,471	26	64,289	73	691,760	99
„ „ „ „ in foreign curr.	87,425	39	69	69	87,495	08
„ „ „ „ of corresp. . .	9,022	78	—	—	9,022	78
Current expenditure:						
Fees to the members of the Council	39,400	—	—	—	39,400	—
Fees to the Administration	35,803	33	—	—	35,803	33
Salaries to Officials	401,777	49	338,322	02	740,099	51
„ „ servants	15,075	87	22,380	—	37,455	87
Compensation to officials in connect. with appoint. and transfers	4,730	64	2,413	50	7,144	14
Subsidies	1,959	—	—	—	1,959	—
Salaries to Agents	89	24	—	76	90	—
Stationery	24,753	70	14,814	26	39,567	96
Administrative expenses	2,611	23	—	—	2,611	23
Travelling expenses	3,693	18	10,306	30	13,999	48
Household „	13,096	21	41,422	21	54,518	42
Working material	41,685	09	—	—	41,685	09
Advertising	5,175	64	—	—	5,175	64
Printing and issue of lat notes . . .	70,102	30	—	—	70,102	30
Inventory written off	13	30	195	82	209	12
	1,412,605	16	526,236	31	1,938,841	47
Profit	1,936,875	96	—	—	1,936,875	96
	3,349,481	12	526,236	31	3,875,717	43
Profit	1,936,875	96	—	—	1,936,875	96
Loss on foreign curr. with corresp. .	1,691,199	23	—	—	1,691,199	23
Remains as net profit	245,676	73	—	—	245,676	73
Net profit with Head Office	—	—	—	—	245,676	73
Loss with Branches	—	—	—	—	63,429	15
Total net profit of the Bank	—	—	—	—	182,247	58

Loss Account. *Credit.*

	Head Office	Branches	Total
Received:			
Interest on discounted Bills	847,804 23	189,868 47	1,037,672 70
„ „ special current a/c.	436,270 32	154,639 08	590,909 40
„ „ terminated loans	189,698 95	15,418 42	205,117 37
„ „ accreditives	120,962 17	131 94	121,094 11
„ „ a/c. of correspondents	1,135,510 88	— —	1,135,510 88
„ „ sundries	4,124 17	21 30	4,145 47
Commission on transactions in foreign currency	6,451 21	10,955 69	17,406 90
Commission on discounted Bills	12,752 28	12,595 33	25,347 61
„ „ special current a/c.	57,542 01	32,562 47	90,104 48
„ „ terminated loans	6,864 93	617 73	7,482 66
„ „ accreditives	74,399 24	1,415 92	75,815 16
„ „ Collections	13,879 54	6,576 32	20,455 86
„ „ inward transfers	5,306 85	4,156 67	9,463 52
„ „ outward transfers	29,656 88	5,070 10	34,726 98
„ „ sundries	75,777 45	18,336 74	94,114 19
Profit on gold specie	201,085 57	— —	201,085 57
„ „ silver specie	14,665 42	977 09	15,642 51
„ „ precious metals	66,711 61	— —	66,711 61
„ „ foreign currency and drafts	39,177 34	6,867 46	46,044 80
„ „ bonds	7,021 58	1,237 37	8,258 95
„ „ sundries	3,818 49	1,359 06	5,177 55
	3,349,481 12	462,807 16	3,812,288 28
Loss	— —	63,429 15	63,429 15
	3,349,481 12	526,236 31	3,875,717 43

BALANCE SHEET

31st DECEMBER 1923.

Assets. — Balance Sheet 31st

	Head Office		Branches		Total	
Cash	5,481,614	62	8,669,496	04	14,151,110	66
Gold specie	246,947	03	34,195	28	281,142	31
Silver specie	3,798	74	4,142	99	7,941	73
Precious metals	2,711,615	65	—	—	2,711,615	65
Precious metals depos. by the Excheq.	13,732,890	75	—	—	13,732,890	75
Foreign currency	466,126	62	54,687	51	520,814	13
Money in transit	847,856	25	—	—	847,856	25
Foreign Drafts	—	—	917	21	917	21
Foreign Drafts with correspondents	2,094,971	98	42,643	41	2,137,615	39
Bonds	32,385	—	22,215	—	54,600	—
Discounted Bills	15,559,670	82	4,154,070	76	19,713,741	58
Discounted Bills with corresp.	144,267	12	181,619	01	325,886	13
Discounted commerc. obligat.	98,688	08	—	—	98,688	08
Spec. current a/c. secured by Bills	1,780,268	11	1,233,361	85	3,013,629	96
„ „ „ by bonds & other oblig.	2,950,897	55	200,490	83	3,151,388	38
„ „ „ goods	4,175,680	42	1,549,526	73	5,725,207	15
„ „ „ documents	271,129	12	211,395	08	482,524	20
Terminat. loans ag. bonds & other oblig.	2,972,016	74	89,264	—	3,061,280	74
„ „ „ agric. & industr. plant	527,740	—	190,404	34	718,144	34
„ „ „ goods	961,288	98	2,000	—	963,288	98
„ „ „ documents	129,692	—	—	—	129,692	—
Accreditives	1,291,352	10	—	—	1,291,352	10
Correspondents a/c. „Nostro“	46,915,058	91	—	—	46,915,058	91
Bills for Collection	279,350	96	444,311	42	723,662	38
Documents for Collection	631,736	48	51,240	65	682,977	13
Bills with Correspondents	161,503	74	19,121	89	180,625	63
Documents with Correspondents	168,100	22	637	—	168,737	22
Inventory	64,718	46	70,604	51	135,322	97
Real property	—	—	10,910	80	10,910	80
Protested Bills	30,565	58	1,095	40	31,660	98
Transitory values	1,734,927	36	1,271,707	80	3,006,635	16
Disbursements to be refunded	6,196	59	874	62	7,071	21
Spec. current a/c. secured	12,714,947	—	3,949,768	80	16,664,715	80
„ „ „ secured by Bills bearing two signatures	2,371,347	87	501,305	40	2,872,653	27
Securities for advance and accred.	3,830,045	67	2,800	—	3,832,845	67
Bills deposited	13,478,350	72	286,360	—	13,764,710	72
Exchequer's expenditure	131,123,224	23	—	—	131,123,224	23
Branches	11,712,984	15	—	—	11,712,984	15
	281,703,955	62	23,251,168	33	304,955,123	95

Chief bookkeeper: (sig.) *E. Lacis.*

December 1923. *Liabilities.*

	Head Office		Branches		Total	
Capital fully paid up	10,214,095	07	—	—	10,214,095	07
Reserve funds	943,654	47	—	—	943,654	47
Banknotes issued	23,000,000	—	—	—	23,000,000	—
Deposits terminated	250,294	50	53,689	41	303,983	91
Deposits unterminated	685,046	03	963,241	26	1,648,287	29
Depos. unterm. not bearing interest	—	—	65,415	89	65,415	89
Current accounts	20,618,954	36	2,155,324	44	22,774,278	80
„ „ not bearing interest	415,196	85	455,835	33	871,032	18
„ „ in foreign curr.	15,807,208	98	36,456	17	15,843,665	15
Inland transfers not paid out	9,567	69	21,636	24	31,203	93
Outward „ „ „ „	13,799	48	—	—	13,799	48
Payments ordered	92,057	55	—	—	92,057	55
Head Office a/c.	—	—	11,712,984	15	11,712,984	15
Collection Creditors	1,240,691	40	515,310	96	1,756,002	36
Various persons & institut. a/c.	54,614	04	201,963	14	256,577	18
Transitory sums	3,799,199	08	87,056	65	3,886,255	73
Interest recd. in advance	234,380	78	56,547	08	290,927	86
Various securities from committers	32,394,691	26	4,740,234	20	37,134,925	46
Transitory values „ „	1,734,927	36	1,271,707	80	3,006,635	16
State Revenue	150,213,213	55	—	—	150,213,213	55
Deposits of the Exchequer	19,597,305	01	909,493	01	20,506,798	02
Correspondents a/c. „Loro“	202,810	58	—	—	202,810	58
Accreditives	—	—	4,272	60	4,272	60
Profit and Loss	182,247	58	—	—	182,247	58
	281,703,955	62	23,251,168	33	304,955,123	95

Director General: (signed) *Ed. Schwede.* Directors: *A. Varenais,*
Deputy Director General: *K. Vanags.* *V. Bandrevičs, E. Ozoliņš.*

Inference of the Revision Commission of the Latvijas Banka regarding the Bank's Report for 1923.

The Revision Commission having verified the Bank's report for the year 1923, its balance sheet, profit and loss account, and checked the entries with the books and documents — has come to the conclusion, that the Bank's Report and Balance sheet on the 31 December 1923 are correct and in conformity to the entries in the books.

Chairman of the Revision Commission of the Latvijas Banka

(signed) *J. Mengots.*

Members (signed) *A. Kacens, Janis Vitols.*

Riga, 29 April 1924.
№ 34.

Extract of the Minutes of the Meeting of the Council of the Latvijas Banka of the 30 April 1924. № 162.

Approval of the Bank's Report for 1923.

The Director General reads aloud the record of the Administration regarding the economic circumstances and the Bank's activity during the year 1923. That record is adopted by the Council as an introduction to the statistic Report for the past year.

The record of the Revision Commission is read, saying that the Bank's activity has been approved and the presented report found in accordance with the books.

The closing balance with Ls 304,955,123·95 presented by the Administration, is unanimously accepted by the Council.

Likewise the Profit and Loss account presented by the Administration, is approved by the Council.

(Signatures).

A short historical review on the Bank of Latvia.

Latvia was declared independent on 18 November 1918. Unfavourable political circumstances, following that declaration, prevented for some time the indispensable organisation of its financial institutions.

As first measures for securing the financial structure of the country, the provisional Government, then having its seat at Liepāja (Libau), issued the following decrees:

a) regulations for the Treasury, published on the 25 March 1919, and
b) the creation of the State Savings Bank, decreed the 1st April 1919, and its regulations, sanctioned the 12th April 1919.

However a regular function of these institutions began only in July 1919, after the temporary Government had returned to Riga and its authority and power were fully established. Simultaneously the emission of its own Treasury notes was decreed at Liepāja (Libau) the 22 March 1919, these notes being named roubles and their value being fixed at one Latvian rouble to the so-called Ost rouble or to two German marks.

At the same time the Government authorized two municipalities to issue their own notes for local requirements, the value of these notes being equivalent to the Treasury notes of the corresponding face value:

the Municipality of Liepāja (Libau), by decree of the 28 March 1919, and
the Municipality of Jelgava (Mitau), by decree of 14 April 1919.

The municipal authorities of Riga were authorized by the Council of the National Assembly under date of 30 August 1919 to issue temporary notes.

Treasury notes were allowed to be issued, by decree of the provisional Government of the 4 April 1919, to the amount of 25 millions of roubles, by the Council of the National Assembly,

the 25 August	1919, for	75 millions of	roubles
„ 7 November	1919, „	100 „	„ „
Liepāja (Libau)	issued altogether	1,110,000·—	roubles
Jelgava (Mitau)	„	512,434·—	„
Riga	„	8,000,000·—	„

These latter notes were in circulation in the resp. towns and their neighbourhood.

Before and until that time there were in circulation with us the Ost rouble and the German mark, both having been introduced during the German occupation, and also the Russian Tzar rouble. The latter was at first accepted and paid for at its nominal value, in accordance with the regulations of the Minister of Finance of the 15 April and 29 July 1919, but later, by law of the National

Council of the 25 August, the Russian rouble was reckoned at rates fixed by the Government, but still remained legal tender in Latvia.

Also during the time of the creation of the young State, there were in circulation and generally accepted, especially in Livland, the so-called Russian "Douma" und "Kerensky" notes, the latter being small square printed slips of paper of a value of 20 and 40 roubles.

The Ost roubles, issued by the "Ostbank für Handel und Gewerbe, Darlehenskasse Ost", the German marks, and Russian Tzar roubles were, during all this time, rather changing and fluctuating in value as compared with the Treasury notes of the Latvian Government. Then during the short occupation of Livland by the forces of the Russian Soviet Government, that Government partly balanced the difference between the various rates of exchange by issuing, until May 1919, in addition, its "Labourers money" for the amount of 4,231,140 roubles.

Under these circumstances the organisation of the State Finances was one of the hardest tasks of our Government which could be undertaken only after the liquidation of the Soviet occupation and the return of the Government to Riga.

The political situation was a difficult one and loans from abroad could not be hoped for. In 1918 there were invited subscriptions for an interior loan, bearing interest of 5%, but the result was not satisfactory, the taxes also, did not come in regularly and therefore, in order to meet the current requirements, as also the very heavy expenses for defensive measures, called forth by the invasion of the Bermondt bands — new emissions of Treasury notes were decided upon.

In order to regulate the circulation of foreign currency and the rates of exchange, there was established with the Treasury, on 20 August 1919, a Section for foreign currency, and by decree of the Government, of the 26 August, the outward and inward movements of foreign currency were limited, in addition a special tax of 1% being collected from foreign currency going abroad.

The emissions of Treasury notes mentioned before were followed by new emission, which as from May 1920, had to be sanctioned by the Constitutional Assembly and were decreed as follows:

the 18 March	1920 —	for 200 millions of roubles of which 5 millions were small change
„ 3 June	1920 —	for 500 millions of roubles and
„ 16 December	1920 —	for 520 „ „ „

These emissions were made in 1, 5, 10, 25, 50, 100 and 500 rouble notes and change slips for 5, 10, 25 and 50 copecks.

With these periodical emissions of Treasury notes the Government managed to meet the most urgent requirements without the help of an Emission Bank, the task of which would have been to regulate the money circulation and the stabilisation of the exchange of our currency.

Though already in August 1919, the Minister of Finance, Mr. Erhard, expressed the opinion, that the creation of our National Bank might be expected to take place in a few weeks, the matter had to be delayed for a longer period, for then the intention was to have that Bank founded as a Joint Stock Bank

with the help of foreign capital, but the negotiations on this behalf with foreign concerns, as for instance with the "Metal and Chemical Bank", had no results. There was also a project to join all the free funds of our Credit institutions and thus to create a Central State Bank.

It appeared that foreign capitalists were in doubt as to the safety of investing their money in that Centralbank, and free funds of our own were not available. On the whole the financial situation was not an enviable one and in the revenue of the financial years of 1918/1920 the emissions of Treasury notes figured with 64·5%.

During the time of the ministry of Mr. K. Purin, who succeeded Mr. Erhard, the emitted Treasury notes still representend 42·2% of the total revenue, and besides, part of the deposits were utilized to cover the requirements of the budget. The rate of exchange of the Latvian rouble had gone down to 1800 roubles for one pound Sterling. Statutes for a Joint Stock Central Bank were drawn up, but circumstances proved to be unfavourable for its creation.

The duties of a Bank were only partly done by the State Savings Bank and its work at the beginning was limited to deposit operations, transfers and transactions in Bonds.

Loans for the renewal of our industrial activity and economic life were granted direct by the Ministry of Finance in accordance with the law, passed on 11th August 1920.

The duties of the State Savings Bank were limited by operations on behalf of the Exchequer, but the Section for foreign currency established with it, was under the management of the Credit Department of the Ministry of Finance, that Department having in addition to its normal duties to carry out strict banking operations.

With the appointment of Mr. *Ringold Kalning* as Minister of Finance, in the Spring of 1921, the organisation of our State Bank was more deliberately discussed. While not renouncing the idea of creating a Central Joint Stock Bank, he wished to supply at once an actual want by extending the privileges of the State Savings Bank, in authorizing that institution by decree of the 30 June 1921 *to execute all banking operations.* That was a great step forward to secure the final object, so long suspended.

In connection with this there follow a decree of the Government of the 18 August 1921, purporting that the denomination of the State Savings Bank was to be changed into "State Savings and Credit Bank".

Further by decree of the Government of the 17 September 1921, the Bank received from the Exchequer as Stock Capital for the strengthening of its means and the development of its operations 4,000,000 gold francs (at 75 Latv. roubles).

These operations were fixed by temporary regulations approved by the Minister of Finance on the 12 September 1921.

At the same time all transactions in foreign currency were assigned to the State Savings and Credit Bank, and its commercial operations began to develop.

On 1st April 1922 the State Treasury was liquidated and all its operations assigned to the State Savings and Credit Bank, only the management of the Emission operations remaining with the Ministry of Finance. Simultaneously the project of creating an Emission Bank was further discussed, always with a view to establishing it as a Joint Stock Centralbank with the assistance of foreign capital.

In order to facilitate that task and to secure a sound basis for it, stress was laid upon the balancing of the budget without a deficit, confining the expenditure to a minimum, and applying everywhere strict economy. The Ministry of Supplies, as also that for Commerce and Industry were liquidated.

Trade with abroad became more regulated by the new Customs Tariff, worked out by the Ministry of Finance and published under date of 20 July 1921. The imports were thereby to some extent limited, the exports made more free, and the revenues increased. Likewise the sums received from the railways, flax and spirit monopolies, and the exploitation of the State forests — increased.

The receipts increased by 30%. At the same time the "receipts from Credit operations" in the budget of the State decreased from 42% to 12%.

The restrictions regarding foreign currency were repealed.

All these circumstances could not but help to make our economic conjuncture more favourable, which is perceptible in the improvement of the rate of exchange of the Latv. rouble and its stabilisation. Very naturally at that time in all buying and selling transactions, a more pressing demand for a stable monetary unit became manifest, though only a theoretical or ideal one, for the time being. That demand was satisfied by the introduction of the gold franc, which, not affected by the fluctuations of the Latv. rouble, turned in the end, from an ideal unit to a real value in our business intercourse. This enabled our Government to enact new regulations regarding our money, published the 3 August 1922.

According to these regulations our currency was based upon gold. The official unit was the **lat** or gold franc, containing 100 centimes, of the equivalent of 0,2903226 grams fine gold. Besides gold, these regulations provided also for the minting of small change and all calculations and official statements were henceforth to be established in lats.

The above changes in the management of the household of the State and the economic measures taken, resulted in an accumulation of foreign currency, and in the increase of the State's gold reserve to such an extent, that now the creation of the State Emission Bank with our own resources could well be contemplated.

Already on the 22 November 1921, at the full session of the Constitutional Assembly, it was decided to authorize the Government to draw up the regulations for the State Bank within 6 weeks' time. This, however, was not done, because one party sided with those who were for the project of the Joint Stock Centralbank, the other party supporting the project of creating an autonomous State Emission Bank, or to confer the right of emission to the State Savings and Credit Bank, establishing an Emission Department with that Bank.

The prospects for the realisation of the first project failed, as it was supported neither by the public, nor by the Government. Likewise the project of creating

an Emission Department with the State Bank was rejected by the Council of Ministers. The remaining project of creating an autonomous State Emission Bank, was sanctioned by the Council of Ministers on the 19th September 1922.

In the sanctioned Statutes the Bank was denominated "Latvijas Banka", or "Bank of Latvia". By decree of the Government of the 26 October 1922, the State Savings and Credit Bank was to be liquidated by the 1st November 1922, whereby all its assets and liabilities were to be taken over by the Latvijas Banka.

Here it may be worth mentioning that the balance amount taken over on the 1st September 1921 by the then newly formed State Savings and Credit Bank, from the former State Savings Bank, was Lats 2,216,629·15, whereas the balance amount delivered by the State Savings and Credit Bank on the 1st November 1922 — was Lats 32,240,673·25.

The Statutes of the Latvijas Banka were finally sanctioned by the Saeima (Parliament) on 2nd June 1923.

The Latvijas Banka is considered an autonomous State institution, acting independently in virtue of its Statutes. That independence of the Bank from the Finance Department, and even from the Government, is a characteristic feature of it, when compared with other Banks of the same type. The Bank is managed by the Council and by the Directory. The Council constitutes 13 members, who are confirmed by the Government to act for a period of 3 years. The Council is independent in its decisions and in respect of these the Minister of Finance has only the right to put his veto, and that within three days. Arising differences are to be decided by the Council of Ministers. The Government can only check or prohibit the execution of measures decided upon by the Council, but can not give to it any directions or prescriptions, (except for operations on behalf of the Exchequer). The Latvijas Banka is more independent of the Finance Department than the Joint Stock Centralbanks of Germany and France.

The Directory is an executive authority, fully dependent on the decisions and directions of the Council. The Directory consists of the Director General (who is also a full member of the Council), his substitute and 3 members-directors. The members of the Directory are appointed by the Council of Ministers on the proposal of the Minister of Finance.

The competence of revision of the Bank is assigned to a Revision Commission, appointed by the Government and constituted by two representatives of the State Control and one representative of the Finance Department.

The operations of the Bank of Latvia are divided into three categories:

1) Emission operations, 2) Commercial operations and 3) Transactions on behalf of the Exchequer.

The chief privilege of the Latvijas Banka is its exclusive right to issue banknotes. These banknotes are issued in Lats and they must be covered to the full nominal value of the issued amount, under the following conditions:

1) if the amount of the issued notes does not exceed one hundred million lats — at least 50% of the issued amount must be covered by gold, or sure and stable foreign currency, and the remaining part by sure and short sighted Bills.

2) if the amount of the issued notes exceeds one hundred million lats, but does not exceed one hundred and fifty millions, then that part exceeding the norm of one hundred million lats must be covered at least by 75% with gold or sure and stable foreign currency and the 25% by sure and shortsighted Bills.

3) any amount exceeding one hundred and fifty million lats is to be covered fully by gold or sure and stable foreign currency. The Bank gives at any time on demand, in exchange for its issued notes-gold.

The Capital of the Bank is 10,000,000 lats, received from the Government, and every year 25% of the Bank's net profit are to be added thereto until its Capital reaches 25,000,000 lats.

On the 1st January 1924 that Capital was booked with Lats 10,214,095·07.

The Reserve funds of the Bank, after an addition of 10% of last year's profit, were booked on the 1st January 1924 with Lats 943,654·47.

When the Latvijas Banka came into existence, the state of emissions was as follows:

Besides the issues of Treasury notes mentioned before, totalling at the end of 1920 to 1420 million Latvian roubles, in the following years of 1921 and 1922 these emissions increased, reaching on the 1st November 1922 the amount of Roubles 2,418,974,481 in circulation, of Roubles 2,520,000,000 allowed to be issued. Notes for one hundred millions of roubles had been withdrawn from circulation. Consequently the Treasury had then nearly exhausted its rights of emission. The Latvian rouble was undergoing fluctuations as follows:

At the time of the first emissions of Latvian notes (in March 1919), one gold franc was equivalent to one and a half Latvian roubles, but in connection with the inflation, the value of the rouble diminished so far that in April 1921 the gold franc was already valued above 100 Latvian roubles. After that time, thanks to the general improvement of our economic position, the downward tendency was brought to a standstill. When in July 1921 the new Customs tariff came into force, the value of the rouble improved very much.

Whilst in the spring 1921 one pound Sterling was paid with 2000—2400 Latv. roubles, in November of the same year it could be bought at 1200 Latv. roubles.

At that time the Exchequer had at its disposal about 30 million gold francs, partly in gold, partly in stable foreign currency. That reserve corresponded in value to about three fourths of all the notes then issued, reckoned at the then existing rate of exchange. This enabled the stabilisation of the rouble to be undertaken, and by decree of the 12th November 1921, its value was fixed at 50 roubles for one gold franc or lat. By this, further fluctuations of the Latvian rouble were checked, and the said rate or relation was maintained until the Latvijas Banka began its activity. The above relation was accepted also by the Bank, and served as a basis for all financial transactions and calculations, for inland business, as well as for abroad. In conformity to the decree of the Government (of the 3 August 1922), already referred to, regarding small coin, the Ministry of Finance, beginning with March 1923 and up to the 1st January

1924, had issued small coin of nickel and bronze, up to the amount of Lats 8.250.000.

Adding that amount to the Treasury notes issued, the total amount of money issued by the Treasury (Ministry of Finance), makes in Lats — 54,629,489,62.

The foremost task of the newly created Latvijas Banka was to regulate the circulation of currency in the country. There was just then felt a great scarcity of legal tender, and new emissions were required to relieve the situation. Accordingly the Bank, making use of its right of emission, began with the 1st November 1922, to issue temporary lat notes, which were fully, i. e. by 100%, covered by gold and stable foreign currency. These issues were for

	10	million	Lats	by	the	25 October	1922
further	10	„	„	„	„	7 December	1922
„	5	„	„	„	„	24 March	1923

As the printing of new lat notes was taking a long time, it was decided to make use of the ready printed 500 rouble Treasury notes, changing them into temporary 10 lat notes, by imprinting on them (in red) the new denomination and marking them with special consecutive numbers.

At the end of December 1923 the first new lat notes, in coupures of 100 lats, and for the amount of Lats 35,500 were issued. They were executed after a design furnished by Professor Rich. Zarrin, with copper plate printing, and the work was entrusted to the State Printing Institution.

This emission of new lat notes included, the total emission of the Bank on the 1st January was for Lats 23,000,000.

The commercial or so to say strict banking operations of the Latvijas Banka are managed on the general principles of Deposit and Discount Banks.

Bills of commercial or industrial concerns, in order to be discounted by the Bank, must bear at least two good signatures and mature not later than within 3 months' time, whereas for the discounting of Bills of a longer running, the sanction of the Council of the Bank must be obtained. Loans are granted against pledged securities and the advanced sums are not allowed to exceed 75% of the value of the pledged security in case of real property and 60% in case of movables.

As to clean Credits, the applications for them are discussed by a special Discount Committee, functioning with the Head Office, as well as with 7 Branch Offices, entrusted with the execution of all banking operations.

The opinions of these Committees are examined by the Bank's Directory and decided upon by it, but these decisions must still be confirmed by the Council of the Bank. The Latvijas Banka executes also all operations on behalf of the Exchequer, without any compensation from the State and in conformity to instructions of the Minister of Finance. The Bank is not allowed to use its funds and entrusted deposits to cover the expenditure of the State. Money orders issued by State institutions are paid so far as the payment can be justified by the condition of the State accounts.

Besides the Head Office at Riga, the Bank maintains seven Branches, executing all banking operations, at the following places: Liepāja (Libau), Jelgava (Mitau), Ventspils (Windau), Daugavpils (Dünaburg), Rēzekne (Rositten), Valmiera (Wolmar) and Cēsis (Wenden). There are also 15 Branches, which however are not authorized to discount Bills or execute transactions in foreign currency: Tukums, Talsi, Smiltene, Limbaži (Lemsal), Saldus (Frauenburg), Bauska, Kuldīga (Goldingen), Jēkabmiests (Jakobstadt), Jaunjelgava (Friedrichstadt), Aizpute (Hasenpoth), Rūjiena, Valka, Alūksne (Marienburg), Madona and Ludza.

The incumbency of these latter are chiefly passive banking transactions and all operations on behalf of the Exchequer.

The Latvijas Banka has just now the most widely spread ramification all over Latvia, and correspondents at every more important place abroad, the list of which is joined to that part of our review, dealing more specially with foreign transactions.

The officials of the Latvijas Banka are engaged by free agreement and their number on the 1 January 1924 was:

at the Head Office:	12	members of the Council,
	5	members of the Directory,
	256	officials,
	22	servants,
at the Branches:	234	officials and
	33	servants.

The number of members of the Discount Committees was: 20 with the Head Office, and 62 with the Branches.

The Bank has acquired real estate for its Branches at Cēsis (Wenden) and Tukums. The development of the operations of the Bank and the increase of the balance amounts in the various accounts as may be seen in the annexed tables, are shown in the movements of the principal accounts, beginning with the 1st November 1922, i. e., from the date of the Bank's creation, up to the 1st January 1924. These tables show also the reserves of gold and foreign currency of the Bank, by which the emissions of the Bank of 23,000,000 lats are covered. These latter are placed as liabilities under the heading "Banknotes in circulation".

WEEKLY STATISTIC REPORTS

OF THE

LATVIJAS BANKA

on the first week of each month, from 1st November 1922 until 31 December 1923
(a/cs running beyond the regular balance are not included).

Latvijas Banka

for the first week

From 1st November 1922

№	ACCOUNTS	1st Nov. 1922		6th Dec. 1922		3rd January 1923		7th February 1923		7th March 1923		4th April 1923	
		Lats	s.	Lats	s.	Lats	s.	Lats	s.	Lats	s.	Lats	s.
	Assets:												
1	Cash: a) banknotes	—	—	1,332,670	—	803,230	—	4,133,250	—	1,203,580	—	1,205,217	98
	b) Treasury notes	1,329,782	86	2,648,992	16	3,171,986	—	2,326,220	71	1,768,655	22	3,229,464	25
2	Gold in ingots and coin	87,188	99	13,006,915	42	13,021,561	46	13,319,714	83	13,010,352	85	14,531,619	31
3	Foreign currency	19,460,520	93	25,164,669	15	31,974,892	26	34,221,541	35	38,516,052	08	40,976,377	44
4	Short sight Bills	6,469,744	34	6,755,764	43	7,204,742	21	7,745,226	76	7,275,541	16	8,440,444	97
5	Loans against securities	3,216,306	88	3,420,869	27	3,071,253	08	3,400,943	63	5,432,726	31	6,146,432	65
6	Other actives	1,677,129	25	1,504,697	85	1,409,959	77	1,442,780	38	1,587,591	55	1,593,610	96
		32,240,673	25	53,834,578	28	60,657,624	78	66,589,677	66	68,794,499	17	76,123,167	56
	Liabilities:												
1	Banknotes in circulation	—	—	6,740,000	—	9,800,000	—	15,000,000	—	15,000,000	—	17,537,000	—
2	Capital	6,000,000	—	8,000,000	—	8,000,000	—	8,000,000	—	8,000,000	—	8,000,000	—
3	Reserve funds	98,581	74	98,581	74	858,016	44	858,016	44	858,016	44	858,016	44
4	Deposits	43,164	60	64,667	53	99,580	—	145,410	71	157,672	65	161,200	79
5	Accounts current	14,867,802	19	18,994,887	02	14,143,342	98	17,133,525	18	17,324,0/9	41	19,478,116	84
6	State accounts	4,864,040	23	3,545,726	97	9,265,054	64	10,300,190	93	11,131,009	36	4,164,061	53
7	State Deposits	1,094,739	65	12,403,486	91	13,284,390	32	10,708,273	98	11,365,516	65	14,519,721	71
8	Other passives	5,272,344	84	3,987,228	11	5,207,240	40	4,444,260	42	4,958,204	66	11,405,050	25
		32,240,673	25	53,834,578	28	60,657,624	78	66,589,677	66	68,794,499	17	76,123,167	56
	Notes of the Bank of Latvia in circulation, and covered by fine gold and foreign currency calculated on the basis of gold quoted the precedent day in London:												
	Fine gold kilogr.	—	—	—	—	—	—	—	—	—	—	200	—
	„ pounds Sterling	—	—	236,124	19/7	359,468	7/-	569,611	4/5	569,611	4/5	645,121	6/4
	„ Dollars	—	—	225,427	29	226,468	81	225,617	68	225,617	68	224,614	69

Weekly Reports

of each month.

until 31st December 1923.

2nd May 1923		6th June 1923		4th July 1923		1st August 1923		5th Sept. 1923		3rd Octobr. 1923		7th Nov. 1923		5th Dec. 1923		31st Dec. 1923	
Lats	s.	Lats	s.	Lats	s.	Lats	s.	Lats	s.	Lats	s.	Lats	s.	Lats	s.	Lats	s.
1,787,700	—	3,626,570	—	4,027,250	—	4,376,870	—	4,676,060	—	3,465,110	—	3,857,640	—	3,841,700	—	1,833,120	—
4,245,935	95	7,303,813	88	7,516,730	12	9,808,973	25	10,668,585	44	10,734,707	42	9,040,032	28	11,129,676	54	11,575,421	23
14,098,826	07	15,200,177	51	15,783,921	40	15,789,107	01	15,794,297	98	15,785,669	97	15,789,039	74	15,764,514	—	16,517,645	33
42,712,207	70	51,042,484	15	51,960,305	80	58,972,879	—	61,409,487	45	61,218,612	19	60,650,880	91	56,132,680	61	50,297,157	97
9,469,888	16	9,905,497	02	10,759,684	44	11,975,618	91	13,485,816	26	14,829,676	64	16,875,781	41	18,881,437	60	20,182,361	10
6,168,694	52	7,579,107	80	8,589,947	96	8,989,898	99	9,654,866	77	12,445,061	60	14,236,062	77	16,673,144	—	18,199,187	13
1,726,467	27	1,212,580	17	1,342,187	50	2,174,394	15	2,551,653	93	2,921,216	21	3,362,210	76	3,583,334	33	4,156,537	26
80,209,719	67	95,870,230	53	99,980,027	22	112,087,741	31	118,240,767	83	121,400,054	03	123,811,647	87	126,006,487	08	122,761,430	02
20,230,000	—	23,000,000	—	23,000,000	—	23,000,000	—	23,000,000	—	23,000,000	—	23,000,000	—	23,000,000	—	23,000,000	—
10,000,000	—	10,000,000	—	10,000,000	—	10,000,000	—	10,000,000	—	10,214,095	07	10,214,095	07	10,214,095	07	10,214,095	07
858,016	44	858,016	44	858,016	44	858,016	44	858,016	44	943,654	47	943,654	47	943,654	47	943,654	47
171,855	25	181,872	55	197,131	11	208,941	90	216,777	90	211,013	39	214,311	05	1,773,203	06	1,920,357	56
18,121,910	53	29,028,255	34	31,433,466	02	36,716,560	10	40,542,258	50	40,536,322	58	42,489,602	28	41,242,094	72	39,647,640	39
6,125,116	30	10,304,872	97	14,606,201	92	18,986,111	70	14,266,254	68	19,839,794	14	19,390,265	23	21,345,615	34	18,127,819	48
18,668,399	82	16,650,817	76	15,769,715	73	15,329,796	32	21,933,911	22	20,836,206	47	20,540,458	42	20,447,675	02	20,457,469	85
6,034,421	33	5,846,395	47	4,115,496	—	6,988,314	85	7,423,549	09	5,818,967	91	7,019,261	35	7,040,149	40	8,450,393	20
80,209,719	67	95,870,230	53	99,980,027	22	112,087,741	31	118,240,767	83	121,400,054	03	123,811,647	87	126,006,487	08	122,761,430	02
200	—	200	—	700	—	700	—	700	—	700	—	700	—	700	—	700	—
762,263	12/-	880,395	13/3	817,174	5/2	810,377	-/2	823,215	12/1	816,174	15/8	832,851	6/11	853,801	15/5	861,540	14/7
225,072	—	225,040	44	224,659	17	224,256	23	224,683	30	250,000	—	250,000	—	250,000	—	250,000	—

The economic position of the State and its development.

Before the War the border territory of the Baltic inhabited by Letts, much differed from all the neighbouring districts by its beautiful farmhouses, well cultivated ground, showy towns with rich stores of various goods in its ports, railway centres and shops. Foreign travellers were impressed by the productivity of the soil, and by seeing a population in easy circumstances obtained by its toil and industry.

But then came the Great War and our country became the scene of War action and destruction. Green fields vanished and became fallow ground and many towns were turned into heaps of ruins. Industrial life came to a standstill, for all the plant of the factories was either evacuated or destroyed.

A large number of the population (nearly one half) abandoned their homes, some being forced to do so by the warfaring powers, others again going away of their own free will, leaving all or much of their property behind, without any individual to take care of it. Returning after the war, only few of these fugitives had the fortune to see their houses still standing on the ground, but many found them destructed and all movables and implements gone. Those who had been able to take more or less of their property and reserve with them, had been obliged to part with nearly all of it during their wanderings in foreign parts.

Such was the economic condition of Latvia in 1918, when she was proclaimed an independent state. All life had to be started anew. But then the unremitting labour and energy of the Latvian people displayed itself to full advantage and now, only five years after the Great War, we are witnessing the renovation of its husbandry and commerce, also part of its industrial undertakings. This has been arrived at in spite of different troubles occurring even after the War, as the short sway of the Bolsheviks and the inroad of the Bermondt bands.

Now the economic life is already appreciably regulated and our national prosperity increases from year to year.

The time is no longer far, when we shall reach our prewar condition.

According to official statements of the former Russian Ministry of Finance, the revenue of our country in 1913 was equal

to about	Ls 235,105,700·—
and the expenditure abt.	„ 144,805,300·—

The years after the war and the ensuing revolution called forth a greater expenditure, whereas the revenue, because of the general stagnation in commerce

and industry, was much less, so that it was not possible, during the first years, to balance the State Budget without a deficit, and only for the financial year of 1922/1923 was the budget closed with a credit balance of Ls 12,060,000·—

A comparison between the State Budget projects and its utilization is given by the following statistical returns, which are verified by the Credit Department and the State Control.

State Budget (Passed)

	1920/1921 Revenue	1920/1921 Expenditure	1921/1922 Revenue	1921/1922 Expenditure
	(In Lats, thousands to be added)			
Ordinary	39,724·5	25,789·6	84,896·5	95,233·7
Extraordinary	24,973·7	38,908·6	88,377·2	78,040·0
	64,698·2	64,698·2	173,273·7	173,273·7

	1922/1923		1923/1924	
Ordinary	156,022·4	128,026·8	142,021·7	126,548·1
Extraordinary	35,684·9	51,619·9	30,452·9	45,926·5
—	—	12,060·6	—	—
	191,707·3	191,707·3	172,474·6	172,474·6

State Budget (Actual)

	1918/1920	1920/1921	1921/1922	
		(In Lats, thousands to be added)		
Ordinary revenue	2,322·8	25,735·2	87,762·6	
Extraordinary revenue	201·9	69·2	46,133·7	
Emissions of Treasury notes	4,656·1	27,311·6	19,673·9	
total	7,180·8	53,116·0	153,570·2	} 153,841·5
Deficiency made good by Credit Operations	2,423·3	12,167·8	271·3	
Ordinary Expenditure	5,148·0	26,402·2	79,548·8	
Extraordinary Expenditure	4,456·1	38,881·6	68,636·7	
total	9,604·1	65,283·8	153,841·5	148,185·5 5,656·0 = surplus

Classified in categories the items of the State Budget for 1922/23 were as follows: (according to the project of the Credit Department):

Revenue.	(In Lats, thousands omitted.)	*Expenditure.*	(In Lats, thousands omitted).
Direct taxes	8,643·4	Administration	36,098·5
Indirect „	15,114·3	Education	7,967·1
Customs	30,100·1	Public labour	3,057·4
State domains & forests	24,833·8	Railways, Monopolies	53,813·9
State undertakings	25,675·0	Reconstruction of agriculture	4,670·1
State monopolies	60,826·3	Loans to municipal institutes	1,118·0
Various revenues	3,651·7	Autonomous State undertakings	10,925·0
State Credit operations and savings	22,862·7	State defence	24,677·7
		National Debt	13,519·0
		Unforeseen expenses	3,000·0
		Reserve fund for settling old a/c.	20,800·0
		Surplus	12,060·6
	191,707·3		191,707·3

The Government is retaining the flax and spirits monopolies which are throwing off profits. The linseed and leather monopolies were abandoned as unprofitable. Of other State undertakings peat cutting has been liquidated. The exploited railway lines were of a length of 2937 kilometres, and the r sults of the exploitation satisfactory, though for their restoration large amounts were, and are still, required.

One of the heaviest items of the expenditure is that of State defence. The item of Administration has also greatly increased and the cause for this is that the salaries of the officials were increased several times, on account of the high and rising prices of provisions.

The budget of the Latvian Republic is only to a small extent burdened with internal loans; indebtedness abroad is also comparatively slight.

On the 6 December 1918 the National Council decreed the issue of a 5% short-termed independence loan. That loan was realised to the extent of abt. Lats 100,000. The issue of 4% lottery bonds on the basis of the decree of the National Council of the 18 March 1920, redeemable within fifty years, realised on the 1 January 1924 about Lats 322,930. Compared with the Budget, these items are insignificant.

In the course of the first years of its existence, the Government had contracted debts for provisions and war material amounting on the 1 April 1924 to:

Dollars 2,521,869·32 to the United States of America
„ 2,610,417·82 to the Relief Administr. of the US.
£ 100,000·— to Lloyds Bank London.

As sinking fund for the debts there were provided in the budget for 1921/1922 Lats 15,238,000 and for 1922/1923 Lats 13,519,000. Compared with those of other states, these debts of Latvia cannot be considered as weighing very heavily on its Budget.

The financial position of the municipal and communal institutions, especially during the first years of the new Republic, was a very difficult one and on the 1st January 1924 the subsidies allowed to them by the Credit Department, amounted to Lats 6,429,148·—.

Their budgets (expenditure) have increased as follows (thousands to be added):

Towns	1920/21	Ls	3,072·9,	1921/22	Ls	17,150·6,	1922/23 Ls 22,075·8
Districts	1920/21	„	—	1921/22	„	2,280·0,	1922/23 „ 5,576·8
Parishes	1920/21	„	—	1921/22	„	3,985·4,	1922/23 „ 5,715·3

from which it appears that the amounts of these budgets are equivalent to about one sixth of the total State Budget.

According to official statistics, the private wealth of the nation in 1921 (various public plant and State property not taken into account) — was more than 5 milliard gold francs (à 100 Latv. roubles), or taking the whole population of Latvia*) to be about 1,850,000 inhabitants — it comes to 2,800 francs per head. Nearly $^2/_3$ (61·2%) of this or more than 3 milliards of francs are owned by the country population. 34·2% are invested in municipal property, undertakings and buildings, the greater part of which — 1·4 milliards of francs — is located at Riga.

In the renewed post-war industry, the National wealth participates with 2·3%, i. e. more than in commerce, with 2·1%, and in ships and shipping with 0·2%.

The total of all the wealth of the *State* reaches the amount of 2 milliards gold francs, and includes: forests, land, buildings, railways, bridges, telegraphs and telephones, ports and various plant. In addition, gold of a value of 16,725,000 lats, and deposits in foreign currency for more than 66 millions of lats, are held.

These statistics show that Latvia, also from an economic point of view, has overcome the dark days of war and political revaluation, and will with care, succed in reconstructing her economic life on a sound foundation. As a proof of this may be mentioned the fact that the rate of exchange of its currency has experienced practically no fluctuations during the last two years, and can be considered as fully stable.

Commerce.

Owing to the advantageous geographical position of Latvia and its three important ports *Riga, Liepāja* (Libau) and *Ventspils* (Windau), the commerce of Latvia consists chiefly of export and import business.

Prior to the war Russia exported and imported through Latvian ports between 45·7% and 52·1% of all its goods, up to the value of 600 millions of gold roubles.

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*) Population of Latvia: in 1920 = 1,596,100, in 1921 = 1,850,600, in 1922 = 1,885,900, in 1923 abt 1,920,000. The great increase is partly caused by the return of fugitives after the war.

Our ports were closed by the War for a longer period and our shipping reduced almost to nil, but since 1920 it has commenced to recover.

During the initial period of our State, beginning with the Government decree on 4th December 1918, our exports were hampered by the license system and the compulsory exchange of 25 to 75% of the foreign currency received for exported goods-with the Treasury. The new export tariff came into force on the 15th October 1921 and repealed all restrictions, with the exception of those on goods coming under the State Monopolies. This tariff was finally perfected by the law on export duties, enacted by the Constitutional Assembly, and in force since February 7th 1922. By that law the exports of Latvia may be considered as freed from restrictions, with the exception of produce of the State Monopolies.

The import duty was for the first time decreed on the 6th April 1919 and pertected on the 19 November 1920 by the introduction of a classification of all import goods into 3 categories a) essential goods b) goods prohibited for import (as luxuries), and c) goods tolerated or permitted. For the last named there was a license system, which ceased only on the 20th July 1921, when another import duty tariff came into force, by which also the list of goods prohibited for import was revoked. This tariff was succeeded by a new one, sanctioned by the Constitutional Assembly and published on the 26th May 1922, by which the rates were reduced and import freedom finally regulated.

The transit trade through Latvian territory to all foreign parts is released from the payment of all duties. Commercial treaties have been concluded with Great Britain, Czechoslovakia, the United States of America, Hungary and Esthonia. With the last named we are on the point of forming a customs union and further treaties are in preparation for conclusion with France, Germany and Russia, all of them important factors in our foreign trade. Transport conventions have been concluded with all our neighbour states.

Our imports as well as our exports are increasing noticeably from year to year, as may be seen from the following statistics of their values:

Latvian Import and Export Value in Lats.

Import:	1920	1921	1922	1923
for Ls	41,222,000	93,697,000	107,370,000	211,872,000

Export:	1920	1921	1922	1923
for Ls	21,509,000	39,164,000	101,992,000	161,929,000
Imports prevailing for	19,713,000	54,533,000	5,378,000	49,943,000

From these official statistics it appears that our foreign trade is passive reaching its highest passive point in 1921, to be strongly diminished in the following year.

The preponderance of the imports in 1923 may be partly explained by the poor harvest of that year. But on the whole the balance of the import trade is a relative one, for it ought to be taken into account, that that preponderance is compensated by an intense traffic at the boundaries, especially by barter with Russia, the statistics of which traffic are nowhere available. For that reason several experts in the trade are of the opinion that on the whole our exports are even outweighing imports.

Returns of our Export and Import Trade are shown in the following tables:

Latvian Imports and Exports to different countries (in Lats, thousands to be added).

Imports.

From	1920	%	1921	%	1922	%	1923	%
Germany	7,647·4	18·5	45,042·4	48·1	45,362·2	42·3	95,850·1	45·2
Great Britain	8,517·7	20·6	13,400·7	14·3	19,914·7	18·6	36,080·7	17·1
America	743·8	1·8	8,589·1	9·2	7,415·8	6·9	6,107·2	2·9
Denmark	8,843·3	21·5	7,306·7	7·8	4,956·8	4·6	6,574·0	3·0
Danzig-Memel	2,086·7	5·0	1,854·5	2·0	4,938·3	4·6	4,629·7	2·1
Holland	1,900·4	4·6	4,584·4	4·9	4,204·3	4·0	10,380·9	5·0
Lithuania	102·8	0·3	2,038·5	2·2	4,017·9	3·7	11,345·1	5·4
Esthonia	1,091·1	2·6	1,385·3	1·5	3,545·4	3·3	5,087·1	2·4
Poland	119·4	0·3	467·4	0·5	2,568·8	2·4	8,318·7	4·1
Sweden	4,787·3	11·6	2,944·8	3·2	2,190·0	2·0	5,047·3	2·4
France	929·8	2·3	2,319·9	2·5	1,793·5	1·7	3,098·1	1·5
Russia	—	—	152·6	0·1	1,611·0	1·5	7,553·2	3·7
Czechoslovakia	—	—	293·9	0·3	1,115·5	1·0	2,486·3	1·0
Belgium	201·8	0·5	517·2	0·6	1,076·4	1·0	5,045·3	2·4
Finland	1,493·0	3·6	1,119·1	1·2	983·5	0·9	789·2	0·3
Norway	2,406·5	5·8	899·4	1·0	838·8	0·8	735·1	0·3
Switzerland	—	—	124·6	0·1	374·5	0·3	1,633·5	0·9
Italy	135·2	0·4	86·2	—	244·6	0·2	346·0	0·1
Austria	—	—	213·1	0·2	198·4	0·2	566·2	0·2
Portugal	—	—	—	—	2·8	—	7·1	—
China	—	—	36·1	—	2·8	—	2·2	—
Australia	—	—	—	—	8·8	—	5·2	—
Sundries	215·8	0·6	321·1	0·3	5·2	—	53·2	—
Argentina	—	—	—	—	—	—	68·1	—
Canada	—	—	—	—	—	—	56·3	—
Brazil	—	—	—	—	—	—	6·2	—
Total	41,222·0	100	93,697·0	100	107,370·0	100	211,872·0	100

Exports

To	1920	%	1921	%	1922	%	1923	%
Germany	268·4	1·2	7,005·0	17·9	13,174·4	13·0	12,281·1	7·5
Great Britain	14,519·7	67·5	13,959·4	35·7	40,746·1	40·0	74,967·1	45·8
America	37·0	0·1	435·4	1·1	1,414·6	1·4	3,928·2	2·5
Denmark	621·2	2·9	736·7	1·9	2,135·0	2·0	5,203·4	3·3
Dantzig-Memel	39·3	0·1	252·7	0·7	523·1	0·5	285·7	0·2
Holland	2,112·4	9·9	2,012·2	5·2	3,268·6	3·2	4,599·6	2·9
Lithuania	118·7	0·6	1,158·2	3·0	1,251·8	1·2	2,838·9	1·8
Esthonia	89·2	0·4	598·5	1·4	1,962·0	1·9	2,207·1	1·4
Poland	23·7	0·1	177·2	0·5	185·5	0·1	1,194·2	0·8
Sweden	576·1	2·7	426·6	1·1	2,361·4	2·2	2,235·2	1·4
France	1,371·0	6·4	2,033·1	5·1	5,232·1	5·1	10,719·5	6·7
Russia	—	—	3,678·6	9·4	6,780·6	6·7	5,962·8	3·7
Czechoslovakia	—	—	0·4	—	10·4	—	805·3	0·8
Belgium	1,482·7	6·9	6,320·6	16·1	21,562·8	21·5	31,960·7	18·9
Finland	190·3	0·9	139·6	0·3	744·2	0·7	515·6	0·4
Norway	4·1	—	112·2	0·3	364·2	0·3	841·6	0·8
Switzerland	—	—	9·2	—	4·4	—	79·6	—
Italy	10·2	0·1	0·7	—	15·2	—	10·0	—
Austria	—	—	0·1	—	—	—	13·6	—
Portugal	—	—	—	—	—	—	2·5	—
China	—	—	2·0	—	—	—	8·3	—
Australia	—	—	—	—	—	—	161·4	0·1
Sundries	45·0	0·2	105·6	0·3	255·6	0·2	42·0	—
Roumania	—	—	—	—	—	—	42·7	—
Turkey	—	—	—	—	—	—	70·7	—
Morocco	—	—	—	—	—	—	203·4	0·2
Africa	—	—	—	—	—	—	748·8	0·8
Total	21,509·0	100	39,164·0	100	101,992·0	100	161,929·0	100

Returns of Import and Export, classified after the chief commodities of our trade, are given in the tables hereunder, which show a steady increase in the more important articles of our export, as flax, timber and butter. Imports in 1923 show a strong increase in textile goods, as also in corn and flour, the increase of these latter having been caused by the poor harvest of that year.

Latvian Imports and Exports classified after the chief commodities.

Imports:	1920	1921	1922	1923
	(in Lats, thousands to be added)			
Raw and half manufact. materials	7,854·6	26,891·1	26,249·8	52,129·3
Manufactures	15,813·1	31,057·2	49,491·0	106,247·2
Provisions	16,964·0	34,855·4	28,612·2	48,873·0
Live-stock	590·2	893·3	3,017·0	4,622·5
	41,222·0	93,697·0	107,370·0	211,872·0

Comprising:				
Sugar	3,527·0	8,400·2	9,648·6	13,303·8
Corn, Wheat flour	3,695·8	8,290·0	7,112·6	19,067·2
Textile goods	6,669·8	11,524·4	20,678·6	40,461·0
Machinery	161·6	7,112·7	8,438·2	22,740·0
Herrings	—	—	—	8,792·0
Exports:	1920	1921	1922	1923
Raw and half manufact. materials	20,978·1	35,196·2	78,948·6	131,192·4
Manufactures	451·6	2,443·6	10,977·4	12,205·9
Provisions	79·3	1,524·2	12,061·5	17,686·9
Live-stock	—	—	4·5	843·8
	21,509·0	39,164·0	101,992·0	161,929·0
Comprising:				
Flax	13,244·7	13,862·3	24,003·5	39,817·4
Timber	6,599·3	15,253·8	22,695·8	61,661·2
Flax seed and Clover seed	144·7	4,039·4	5,410·6	5,184·8
Butter	—	—	2,695·4	9,271·7

The Transit to and from Russia in 1923, compared with the preceding year, has diminished from about 490 millions of kilograms in 1922 to 360 millions in 1923. The tables hereunder give the chief articles of that transit, where it is seen that Russia exports chiefly timber and corn, and imports provisions and machinery.

Transit through Latvia.

	1922	1923
	In kilogr.	
Raw and half manufact. materials	161,792,780	167,954,600
Manufactures	65,065,707	34,069,800
Provisions	262,581,500	158,719,600
Live-stock	28,203	2,200
Total	489,468,190	360,746,200

	Thereof to Russia		From Russia	
	1922	1923	1922	1923
Raw and half manufact. materials	23,850,284	6,885,839	44,777,698	90,322,782
Manufactures	61,322,116	19,654,063	282,809	6,730,917
Provisons	242,489,934	45,039,849	1,848,651	72,992,041
Total	327,662,334	71,579,751	46,909,158	170,045,740

Comprising:		*Comprising:*	
Machinery	9,200,000	Timber	64,842,000
Chemical prod.	7,500,000	Flax prod.	21,858,000
Cotton oil	4,500,000	Corn	55,500,000
Sugar	5,000,000	Butter	2,560,000
Condens. milk and meat	10,300,000	Oilcake	7,100,000
Corn and flour	24,600,000	Eggs	2,800,000
		Raw flax	16,100,000

The state of shipping is illustrated by the following extract from our official statistics, showing sailings to and from our ports and giving the numbers and tonnage of vessels.

After the official Reports of the former Russian Ministry of Commerce and Industry on the 1st January 1914 the Latvian Commercial fleet consisted of the following vessels:

	Steamers	Reg. Tons	Sailers	Reg. Tons.	T o t a l	
Riga port	75 pieces	67,925	206 pieces	40,038	281 pieces	107,963 R.T.
Liepāja (Libau) port .	25 „	60,672	28 „	4,511	53 „	65,183 „
Ventspils (Windau) „ .	14 „	5,900	36 „	4,245	50 „	10,145 „
	114 pieces	134,497	270 pieces	48,794	384 pieces	183,291 R.T.

The total of registered commercial vessels on 1-I-1914 with the then Russian Baltic ports was:

Steamers	265 pieces	218,558 R.T.
Sailers	719 „	81,954 „
	984 pieces	300,512 R.T.

This shows that Latvia participated with 39% in the whole commercial fleet of the Russian Baltic ports.

Shipping Statistics

(after the War)

	1920			1921			1922			1923		
	No.	Gr. Tons	Net Tons	No.	Gr. Tons	N. Tons	No.	Gr. Tons	N. Tons	No.	Gr. Tons	N. Tons
Sailing vessels . . .	50	10,560·02	9,084·11	62	10,783	9,048	59	10,147	8,536	56	9,129	7,700
Steamers:								3 lost				
a) belong. to Govt.	7	7,137·71	4,023·40	7	7,092	4,009	4	3,765	2,008			
b) private	12	15,798·95	9,333·28	13	16,004	9,438	16	18,350	10,733	31	38,310	22,763
Motor vessels . . .	4	82·77	48·11	9	105	55	9	1,065	781	9	993	707
Total	73	33,579·45	22,488·90	91	33,984	22,550	88	33,327	22,058	96	48,432	31,170
Steam tugs				88			94			96		
Icebreakers with indic. H.P. . .				1	253		4	2,275		5	2,625	

From this it is seen that after the war Latvia owns only one third of her pre-war commercial fleet.

Shipping to and from the ports of Riga, Liepāja (Libau), Ventspils (Windau) and Haynash:

	inward	outward
1910	5,740 vessels	5,717 vessels
1911	5,691 „	5,684 „
1912	4,379 „	4,372 „
1913	4,661 „	4,623 „
1914	2,354 „	2,416 „
1918	275 „	236 „
1919	793 „	734 „
1920	1,679 „	1,597 „
1921	2,104 „	2,038 „
1922	2,878 „	2,863 „
1923	3,577 „	3,571 „

In relation to transports, our three chief ports of *Riga*, *Liepāja* and *Ventspils* are participating with 85% in our whole Import and Export traffic and only abt. 15% of our goods to and from foreign parts are conveyed by rail. This can be seen from the tables hereunder, giving the comparative values of the transported goods for 1921 and 1922.

Imports and Exports to and from Latvia by Sea

(Values in Lats, thousands to be added)

Imports

	1921			1922		
Riga port	60,726·2	resp.	74·7%	69,110·1	resp.	80·2%
Liepāja port (Libau)	20,414·3	„	25·1%	15,727·1	„	18·2%
Ventspils „ (Windau)	123·3	„	0·2%	1,334·0	„	1·6%
	81,263·8			86,171·2		

Exports

	1921			1922		
Riga	28,993·1	resp.	86·2%	61,832·3	resp.	69·3%
Liepāja	2,963·5	„	8·8%	13,076·8	„	14·7%
Ventspils	1,690·2	„	5·0%	14,232·2	„	16·0%
	33,646·8			89,141·3		

Transport (imp.):

by Sea	81,263·8			86,171·2		
Railway	12,433·2	resp.	13·2%	21,198·8	resp.	19·8%
	93,697·0			107,370·0		

Transport (exp.):

by Sea	33,646·8			89,141·3		
Railway	5,517·2	resp.	14·1%	12,850·7	resp.	12·6%
	39,164·0			101,992·0		

As to the interior trade of Latvia, the following statements are to be made. Trade licenses were issued for different commercial undertakings for a time of:

	½ year and 1 year			for ½ year	for 1 year
	1920	1921	1922	1923	1923
First Categ. A charge Lats 100·—	—	1,443	302	26	470
First Category charge Lats 50·—	727	2,883	1,130	106	1,947
Second „ „ „ 10·—	3,961	11,162	4,302	547	4,865
Third „ „ „ 5·—	18,249	19,008	14,181	3,124	15,460
Fourth „ „ „ 1·—	4,294	4,305	16,970	4,590	10,056
Total	27,231	38,801	36,885	8,393	32,798
					41,191

Co-operative Associations:	1922	1923	
Co-operative Associat.	343	348	
Co-operators-members	117,600	91,258	
Co-operat. shares paid in in Ls . .	275,000	336,000	
Capital and funds	226,000	409,000	
Goods sold	16,876,000	14,990,000	
Profits	288,800	194,500	
Losses (of 37 assoc.)	36,500	87,100	(of 71 assoc.).

The Latvijas Banka has granted Credits to commercial concerns by:

Discounting Bills in 1923 (Ls in rounded figures):

Balance on 1/I 1923 with Head Office	2,452,400	Branches	177,200
Discounted in 1923 „ „ „	16,828,400	„	4,867,300
Redeemed „ „ „	12,632,300	„	3,942,200
Balance on 1/I 1924 „ „ „	6,648,500	„	1,102,300

Credits against goods and on Documents:

Advances on 1/I 1923 with Head Office	1,968,000	Branches	261,500
Advanced in 1923 „ „ „	18,804,000	„	3,532,700
Repaid „ 1923 „ „ „	17,046,900	„	2,412,700
Balance on 1/I 1924 „ „ „	3,725,100	„	1,381,500

Protested Commercial Bills with the Bank:

Bills protested on 1/I 24 Ls 640·— with Head Office —		Branches —	
„ „ in 1923 „ — „ „ „	37,380	„	12,471
Redeemed „ 1923 „ — „ „ „	19,142	„	11,376
Balance on 1/I 1924 „ — „ „ „	18,878	„	1,095

Industry.

Our industry, which is now being reconstructed, has a history behind it. Though long ago, Latvia, respectively its ports, was known as an important agency for the bartering of commodities between Western Europe and the East, its industrial productivity began only at the end of the last century, after the railway lines, which were to connect the market centres of Russia with the Baltic, had been tracked. Foreign capital became greatly interested in these new markets, and various industrial enterprises were started on the territory of the present Latvia. After the year 1900, an industrial crisis set in, the effects of which were felt for the following ten years. The highest development of our industry was attained shortly before the outbreak of the War.

In all Latvia were established: in 1900 — 478 factories, with 62,000 hands, their produce being valued at . . . . . 120,994,500 Russ. gold roubles
In 1910 — 782 factories, with 93,343 hands, their produce being valued at . . . . . 196,726,300 „ „ „

With the outbreak of War, our factories were forced to be evacuated to the interior of Russia, and many of the large establishments were turned into a heap of ruins, or had only their bare walls left standing.

The total value of the produce of our industry for these last years has as yet not been definitively ascertained, also any general estimation of its value would be a relative one, for our industry of the present time is to a great extent dependent and working on raw and half worked material, imported from abroad. It would be difficult, and in some cases quite impossible, to state the actual, produce value, which could be apportioned to us as producers.

An extrinsic or merely statistical delineation of the development of our industry is given in the tables hereunder.

Industrial undertakings and workmen employed.

	Undertakings				*Workmen*			
	1910	1920	1921	1922	1910	1920	1921	1922
Textile Industry products	52	81	118	225	12,143	2,000	3,380	4,063
Paper & Polygraphic .	79	61	98	109	5,208	1,712	2,992	3,763
Wooden articles . . .	99	156	271	352	11,304	3,767	4,595	6,313
Mineral Industry . . .	150	31	45	46	12,029	903	1,699	1,992
Metal Industry	115	102	162	184	25,385	4,752	5,901	6,282
Animal Products . . .	46	41	64	78	3,405	524	1,094	1,359
Victuals	175	862	795	799	8,063	3,560	4,657	5,282
Chemicals incl. drugs .	39	21	53	57	12,659	462	896	1,711
Sundries	27	75	103	56	3,147	3,533	3,429	1,062
	782	1,430	1,709	1,906	**93,343**	21,213	28,643	31,827
Average number of hands in each undertaking					119	15	17	16

As regards power supplies, the official statistics are given as follows:

Boilers in Latvia:

	1921	1922
Stationary	499	521
Locomobile	2,599	2,581
the former with a heating surface of	30,635 square meters	
the latter „ a „ „ „	30,283 „ „	

The locomobile boilers comprise also those doing agricultural service.

Undertakings using various Power Supplies.

	1920		1921		1922	
	Number	H. P.	Number	H. P.	Number	H. P.
Water power	473	3,524	669	10,954	684	11,024
Naphta, benzin, gas	22	185	60	1,057	71	1,493
Electricity	492	10,375	992	11,218	1,246	13,147
Steam power	424	9,938	778	47,135	665	36,050
Total	1,411	24,022	2,499	70,364	2,666	61,714
Undertakings working without moving power	204	—	310	—	406	—

Here it is characteristic that in 1922, compared with the preceding year electric motors greatly exceeded steam engines in number, the latter having decreased by 113.

These statistics, though rather limited, prove that our industry is increasing and developing, but as yet the greater part of its products is absorbed by our homemarkets, and only a small part is available for export.

The value of manufactured produce exported from Latvia is given as follows (in Lats, thousands to be added):

in 1920	—	for Ls	451·6
„ 1921		„ „	2,443·6
„ 1922		„ „	10,977·4
„ 1923		„ „	12,205·9

which on the average accounts for only 10% of the total of our exports.

Foreign Capital has always been largely invested in industrial undertakings of this country, and in order to encourage its participation also now, the question of free territory for enterprises working for export has been decided favourably by decree of 24th February 1923. The propagation and development of transactions in connection with that free territory, may become a factor, which will induce our manufacturers to abandon their practice of producing mostly for home wants only.

Our Industrial Undertakings are partly supported by the Government by advances to the following extent:

By the Credit Department, during the time from 1920 until 1st January 1924:
to industrial enterprises in the towns . . . . Ls 6,428,048
and to 504 undertakings in the country . . . „ 1,048,265

By the State Land Bank, from its creation until the beginning of the current year 1924:
502 advances to farmers of totally Ls 1,218,865.

Credits to industrial enterprises by the Latvijas Banka in 1923 were granted: through the discounting of Bills, the balance of which per 1st January 1923 was

with the	Head Office Ls	1,302,200	Branches Ls	135,800
discounted in 1923 .	„ „ „	12,807,000	„ „	3,466,700
redeemed „ „ .	„ „ „	11,305,000	„ „	3,009,800
Balance on 1 I 1924	„ „ „	2,804,200	„ „	592,700

By Advances and Loans on produce, plant and hypothecary obligations,

the balance of wich per 1st January 1923 was	Ls	2,159,400
Granted in 1923. . . „ „ „	„	20,723,400
Repaid . . . . . „ „ „	„	14,617,200
Balance on 1 I/1924. „ „ „	„	8,265,600

Bills of Industrial concerns were protested in 1923 for Ls 51,126
and redeemed in 1923 for . . . . . „ 40,205
Balance on 1 I/1924 for . . . . . „ 10,921

Joint Stock Companies.

Closely connected with the development of our Commerce and especially of our Industry, is the promoting of Joint Stock Company in Latvia during the years succeeding the war.

In 1914 there were operating in Latvia 89 Joint Stock Companies with a joint Capital of 157·4 million gold roubles and 25 million roubles Reserve funds. That Capital was invested as follows:

30·5% in the Metal Industry
25·2% „ „ Chemical „
8·5% „ „ Textile „
7·0% in Commercial Banks
28·8% Sundries.

These Joint Stock Companies constituted in number 5·20% and in proportion to their capital 4·24% of all the Russian Joint Stock Companies and their funds. 85% of the Companies in Latvia worked successfully paying dividends up to 11·2% of the invested capital. Many of them had their administrative boards not here but at other centres as for instance Petersburg (9), Moscow (1), and abroad (7). The Capital invested may be described as an international one. Not only in Russia, but generally in all industrial countries, as Germany, Great Britain

and North America, according to the opinion of the Russian Economist Tugan Baranowsky, more than half the world produce was handled by Joint Stock Companies.

Riga was always looked upon as an important industrial centre, also it may be reasonably expected that in the near future more Joint Stock Companies will be promoted and prosper in Latvia. Neither the uncertainity reigning in the produce markets, making the calculations of profits rather problematic, nor the circumstance, that since the war private stock is not yet quoted at the Riga Exchange—keep enterprising men from the promotion of Joint Stock Companies. Here it is remarked that foreign capital brought into our country after the war, is greatly interested in the new enterprises.

The intention of our Government is not only to strengthen and help to develop our own National Companies, but also to attract foreign capital to finance the promoting of sound enterprises, by which our productivity would increase and exports be assisted.

By decree of our Ministry of Finance of 9th October 1923, supplemented by an enactment of 29 January 1924, the minimal capital for the foundation of a Joint Stock Bank is fixed at 5,000,000 lats, whereas in the case of Commercial and industrial Joint Stock undertakings it must be at least 100,000 lats.

The Administration of industrial Joint Stock Companies must be constituted by at least $^1/_3$ of Latvian citizens, whereas the remaining may be foreigners. With Companies of another type and with Banks $^2/_3$ of the Administration must be Latvian citizens, but with Insurance Companies foreigners cannot take part in the Administration.

After the war, until 1st January 1921 only few of the Joint Stock Companies established here before the war, resumed activities. Of these are:

Commercial Companies . .	6	with	a	Capital	of	Ls	496,400·—
Metal & Mechan. works . .	1	„	„	„	„	„	30,000·—
Wood working factories . .	1	„	„	„	„	„	35,000·—
Book printing industry . .	1	„	„	„	„	„	450,000·—
Chemical industry	1	„	„	„	„	„	8,000·—
Sundry Companies	2	„	„	„	„	„	192,000·—
Total 12 with a Capital of Ls							1,211,400·—

Since 1921 an economic revival has set in and many new Joint Stock Companies have been established, whilst old ones have been restored, as may be seen from the tables hereunder.

Joint Stock Companies acting in Latvia, classified after their kind of produce.

(Values in thousands of Lats on 1st January)

	1922		1923		1924	
1. Commercial Companies . .	12	1,456·4	22	2,234·4	32	3,381·4
2. Metal & Mechan. industry	4	124·1	11	6,772·1	14	11,748·9
3. Match making	1	1,160·0	3	1,516·0	3	1,516·0
4. Timber and wooden articles	7	647·7	14	2,237·7	32	5,627·7
5. Leather industry	1	20·0	5	265·0	9	660·0
6. Books	2	550·0	5	1,020·0	6	1,180·0
7. Textile industry	7	2,459·5	10	4,218·5	12	4,831·5
8. Chemicals	7	1,216·0	13	2,972·7	14	3,360·7
9. Shipping concerns	4	2,297·0	4	2,297·0	9	3,047·0
10. Breweries	3	1,114·0	4	1,174·0	6	2,674·0
11. Forwarding	2	197·0	5	497·0	8	917·0
12. Spirit and liquors	2	410·0	4	1,800·0	6	2,250·0
13. Oils, fats and products of same	3	227·0	3	227·0	4	607·0
14. Tobacco and products of same	2	670·0	2	670·0	2	1,150·0
15. Communications	3	6,790·0	3	6,790·0	7	7,728·0
16. Building industry	2	329·9	5	7,119·9	6	549·9
17. Paper and Cellulose . . .	3	11,032·7	3	11,032·7	3	11,032·7
18. Various undertakings . .	22	2,626·4	40	5,181·3	59	17,708·2
	87	33,327·7	156	58,025·3	232	79,970·0

On the whole in the course of these last three years the number of Joint Stock Companies has trebled.

The average of Capital for each Company comes out in Lats (thousands to be added)

in 1922 = 383,1
„ 1923 = 372,0
„ 1924 = 344,7

which amounts are abt. three times more than the minimum of capital fixed by the Government.

Less Capital has been invested in the Leather industry and in Building enterprises, where it does not reach the stipulated minimum.

The average Capital of 32 Commercial Companies comes out at Lats 106,000 i. e. just about the required minimum.

Characteristic is also the lively promoting of Private Joint Stock Banks: There were in Latvia on the 1st January:

1920— 5 Joint Commercial Banks
1921— 9 „ „ „
1922—10 „ „ „
1923—14 „ „ „
1924—20 „ „ „

The joint capital of these Banks reached at the beginning of 1924 Lats 12,388,500·—, partly of local origin, but the greater part of which has been furnished by foreign capitalists, who, already prior to the war, were strongly interested in the transactions of our private Banks.

The coming into existence of so many Banks might for the present be looked upon as rather superfluous, but there are also openings for them, if, as is reasonabiy hoped, our economic life continues to develop and be prosperous.

Another new and characteristic Joint Stock enterprise of Latvia ought to be mentioned, which is to begin its activity in the nearest future. This is the sugar beet cultivation and the production of sugar. Just 140 years ago in the year 1784, the first industrial enterprise was started at Riga by Mr. Kaave, then alderman of the Great Guild, and that enterprise was a sugar factory.

Agriculture.

Latvia has always been known as an agricultural country.

Before the war, together with our industry, agriculture had reached a high standard and among our various economic undertakings, in respect to quantity, agricultural produce always took the lead. The War very seriously affected our agriculture. Of 499 parishes — 274 or 55% have more or less suffered from the war and of these latter 124 were entirely devastated, all animals having been killed and agricultural plant and implements destroyed or lost and 10·5% of the farm buildings levelled with the ground.

Under these circumstances and partly as a consequence of our poor harvest last year, Latvia is still compelled to import corn, but as its agricultural life is recovering, it may be reasonably expected that in the nearest future no imports of agricultural produce will be necessary, the more so as our productive abilities are not at all exhausted.

The census of 1897 stated 48% of the population to be occupied in agriculture, and that of 1920 showed it to be 80%.

Before the war 48% of all the land (1300 estates) was the property of great land owners or the nobility, whereas in Russia only 26% of the land was owned by noblemen.

Before the war the crown lands and forests came to 10% of all the land in our country.

The whole area of our territory being 65,791 square kilometers, the division of it in respect to agriculture is given as follows (in hectares, thousand to be added):

Cultivated soil	1,852·5	or	28%
Meadows and pastures	2,023·5	„	31%
Forests	1,819·3	„	28%
Wasteland and moor	874·8	„	13%
Total . .	6,570·1	=	100%

Hereditary tenure has been allowed to our farmers only since 1870—1880 and now, when after the revolution the agrarian reform has been brought into force, the dimensions of landed property of our farmers are on an average 30 hectares, that average being higher than in other countries with developed agriculture. For instance the average for Sweden and Norway is 4—8 hectares, Belgium 9, and Holland 12 hectares.

In the same manner as in our neighbour states, the agrarian reform is carried out in accordance with the sanctioned law, as to the expropriation of land and its division.

The chief purpose of that agrarian reform is to liquidate very large landed properties, the so called Latifundian land, Church land and the former Russian Crown lands, parcelling them out to small farmers and tillers of the soil, having as yet no land of their own, in order to satisfy all requirements, and make the reform to be conducive to the increase of our agricultural productivity.

The agrarian reform does not affect peasant land owners and hereditary tenants, whose ownership had been establisched long before the reform set in, though the dimensions of their land surpass the average fixed by the agrarian reform law. These average dimensions are stipulated to be no more than 22 hectares for newly established farms, up to 60 hectares for tenants of manor land and 100 hectares for hereditary landed property.

As a result of the agrarian reform, all large manor forests and the former Russian crown forests have become property of the Latvian State.

To meet the requirements for establishing new farms and freeholds, as also to enable the small tenants to increase their landed property — a State Land Fund has been created out of the former crown, manor and church lands. That Fund comprises 3,710,414 hectares of land, of which 1,654,904 hectares are suitable and available for agriculture.

With the aid of that Fund there were established during the first three years of the carrying through of the agrarian reform, more than 30,000 new farms. The official State Statistics give the number of farms

in the country in 1920 as 141,866
„ „ „ „ 1923 „ 195,544

The area under cultivation, and harvest results during the past four years, as compared with those before the war, are shown in the followig table.

Area under cultivation and crop results.

Area in hectares — Crops in quintals (100 kg) (thousands to be added).

Products	1909—1913		1920	
	Area	Crop	Area	Crop
Rye	350·7	3,254·3	196·7	1,191·2
Wheat	32·6	384·9	15·7	105·9
Barley	190·9	1,728·3	123·7	665·5
Oats	305·9	2,790·3	215·5	1,130·7
Vetches and Peas . .	23·3	179·3	66·4	423·2

Potatoes	79·6	6,385·2	49·2	3,748·0
Flax:	69·6	—	30·5	—
Flaxseed	—	254·4	—	105·8
Flaxfibre	—	302·3	—	96·0
	1,052·6	15,279·0	697·7	7,466·3

	1921		1922		1923	
	Area	Crop	Area	Crop	Area	Crop
Rye	226·8	2,490·9	236·2	1,738·8	262·6	2,735·6
Wheat	18·5	213·3	28·5	260·7	42·3	446·5
Barley	146·1	1,414·4	156·7	1,473·9	175·8	1,310·9
Oats	251·6	2,444·7	273·4	2,637·5	305·3	2,382·2
Vetches and Peas	74·8	781·5	80·3	837·4	109·9	866·4
Potatoes	58·8	6,738·2	69·0	6,751·2	78·4	5,784·1
Flax:	34·1	—	37·7	—	55·8	—
Flaxseed	—	158·8	—	143·1	—	163·1
Flaxfibre	—	139·1	—	170·4	—	192·2
	810·7	14,380·9	881·8	14,013·0	1,030·1	13,881·0

On the whole the average of our crops after the war has been nearly $^1/_3$ less than that of pre-war. This has also been the case in other countries.

The crop of 1923 in Latvia was poorer than that of the preceding year, though the area under cultivation in 1923 was increased. This was due to unfavourable weather conditions, as continuous rains and cold weather during the harvest, and early frost and snow. Pre-war crops in Latvia, thanks to better cultivation, were generally of a better yield than the average of Russian crops. The average of our pre-war yields has a yet not been reached, the evil consequences of the war not having been overcome as yet, and owing to the scarcity of fertilisers, which were much used formerly.

Crops of Hay and Clover in Latvia.

(in poods-thousands per unit—Latv. Measure=$^1/_3$ hectar)

	1921 crop	per unit	1922 crop	per unit	1923 crop	per unit.
Hay with an area of 2,143,693 units of Latv. measure	71,343·8	31·6	112,352·2	48·9	91,775·1	42·8
Clover & Grass with an area of 741,826 units of Latvian measure	22,576·1	36·7	40,512·1	64·2	48,421·3	65·2
Grass unmowed with an area of 301,130 units of Latv. measure	—	—	—	—	12,848·5	—

The temperate climate of our country, the abundance of pasture land and meadows, these latter constituting 30% of the whole territory, offer favourable conditions for stock farming. This important branch of agriculture was highly developed with us already before the war, but here the war made great ravages, killing nearly all the stock. Thanks to the energy of our farmers and to subsidies from the Government, the stock of animals has greatly increased in the last four years, so that now it even exceeds the pre-war stock, as shown in the table below.

Stock of domestic animals in Latvia.

(thousands to be added)

	1913	1920	1921	1922	1923
Horses	320	261	283	303	338
Cattle	912	768	800	811	900
Sheep	996	978	1132	1162	1461
Swine	557	481	482	402	484
	2785	2488	2697	2678	3183

Among other agricultural products dairy products are rather large, and of these export butter yields good profits, competing successfully on the foreign markets.

Butter is for the greatest part exported to England and its value in thousands of Lats was in 1922 Ls 2,695·4, in 1923 Ls 9,271·7 whereas in 1924 the value of exported butter may reach a much higher amount, judging by the exports of the first three months of this year.

Another of the chief articles of agricultural produce, yielding good profit, is flax, which, fetching remunerative prices, is not only a great help to the producer, but, being a State Monopoly, has brought in the years 1921—1923 to the Exchequer a net profit of Ls 22,648,929·—

The revival and development of agriculture with us is also proved by the establishment of new agricultural schools, courses, cooperatives and other organisations undertaken by common, as shown in the table below.

There were established in Latvia.

	in 1922	1923
Agronomical schools:		
a) with an intermediate stage	6	5
b) „ a general course	20	26
Agricultural Associations	206—10632 members	222—11448 members
Agricult. courses arranged	441	329
Lectures	1657	1286
Exhibitions	54	95
Living Stock Control Societies	158	244
Copulation Stations	246	444
Stations with machines for common use	154	281
Cooperative Dairies	84	429
Tractors acquired by the help of State subsidies	85	52

In order to promote the reconstruction of our agriculture and to stabilise the newly established farms, our Government has to a great extent to lend its help to all agricultural undertakings, by granting subsidies and advances. Besides building material, which was delivered partly gratuitously, partly at moderate rates, there have been granted long termed loans at low rates of interest:

By the Credit Department until 1 May 1922 to 13033 farmers, a total of Lats 4,137,800·—.

By the State Land Bank until 1st January 1924 to abt. 22700 farmers, a total of Ls 11,034,100·—, altogether to 35,733 farmers, loans for Lats 15,171,900.

These loans were granted almost in even parts to newly established farmers (abt. 53%) and old established ones (abt. 47%), making on the average Ls 425 per farm.

Besides, as has been mentioned before, the Credit Department and the State Land Bank have granted subsidies to abt. 1000 agricultural industrial undertakings amounting to Lats 2,260,000·—.

The Latvijas Banka has granted Credits to farmers in 1923 through rural Cooperative Credit Associations:

1) in the form of discounted Bills for Lats 1,117,600
2) in the form of loans against various securities for Lats 1,698,600.

Credit Institutions.

The first Credit institution was created at Riga in 1736 under the denomination "Rigaer Handlungs Kasse" and later in 1794 the "Diskonto Kasse" was established. In 1820 the "Russian State Commerce Bank" opened a Branch Office here, and in 1864 the Committee of the Riga Exchange created the still existing "Riga Exchange Bank". In 1867 was established the First, and in 1869 were established the Second and Third Mutual Credit Societies. In 1871 the first Joint Stock Bank under the denomiantion "Riga Kommerzbank" was established. In 1873 the "Diskonto Kasse" changed its name to "Riga Town Discount Bank". The Mortgage Society was created in 1868, but the first Town Savings Bank only in 1824 at Riga, in 1826 at Jelgava (Mitau) and in 1847 at Liepāja (Libau). These are the dates of creation of the first Credit institutions of Latvia. Their administration was in German hands with the exception of the Branch Office of the Russian State Commercebank.

At the end of the last century and in the beginning of the twentieth century, there were many new Credit institutions and Branches of Russian Joint Stock Banks established at Riga, as the "Russian Bank for Foreign Trade" Volga-Kama Bank, Russian Asiatic Bank. In 1891 the Libau Exchange Bank was created at Liepāja (Libau), and Branches of the Riga Commerce Bank opened at Liepāja (Libau), Jelgava (Mitau), and Daugavpils (Dvinsk). All these institutions were serving, for the greatest part, people not of our nationality, foreign concerns and enterprises.

Likewise at the end of the last century Latvian National Credit institutions came into existence as Mutual Credit and Loan Societies, or Savings and Credit-

banks, the creation of which was prompted by the desire to free ourselves from the German leading strings in financial matters, for only by having their own Credit institutions, the Letts could hope to raise and develop more efficiently their economic life, as also their culture.

The Credit institutions were to serve as mighty weapons in our economic and politic strife. These anticipations proved true in the ensuing phases of our cultural historical evolution. As first of such more important National Credit institutions, where Latvian funds were concentrated and used to assist Latvian commerce and industry, also building enterprise — is to be mentioned the "Second Riga Savings and Loan Association", which was established in 1891 and changed its name in 1896 to "Vidzemes Savstarpēja Kreditbiedrība (Livlands Mutual Credit Society)", Savings and Credit Bank with the Artisans Assistance Society of 1883, Artisans' Savings and Loan Bank of 1893, Latvian Mutual Credit Society, Jelgavas (Mitauer) Savings and Loan Bank, and finally the Jelgavas Commercebank, as also many small Credit and Loan Offices in the country, of which the oldest established are those of Emburg and Dondangen established in 1874, of Zalenieki and Sessava in 1870.

Simultaneously with the increase in numbers of our hereditary and free tenements in the country and the development of our industry in the greater centres, when in all lines of undertakings, capital was urgently needed and Credit much demanded — our young Credit institutions grew and developed to a great extent, so that their number on the 1st January 1914 reached already 313 institutions, the turnover of which was abt. 336·8 million gold roubles. They were of the following types.

	Number	Turnower in Tzar roubles thousands to be added
Savings and Loan Offices	222	64,934
Credit Institutions	15	1,008
Parish Banks	2	9
Savings and Loan Assoc.	19	409
Semi-official Credit Offices	1	107
Town Mutual Credit Soc.	41	79,489
Commercial Credit Banks	5	165,001
Town Association Banks	4	2,000
Branch Offices of the Russian State Bank	4	23,826
	Total . 313 inst.	R. 336,783

The first five of these are smaller Credit institutions in the country, with 259 Offices and 121,514 members and a total turnover of 66,4 million roubles, one institution in Courland and one in Livland, making provision for 7600 inhabitants.

The War and ensuing revolution made all their transactions cease for a longer time and only in 1920/1921 did they resume their activities, when the Credit institutions in the towns also recommenced operations. At that time, thanks to the economical results attained in 1921, as the regulation of the State Budget and of Customs, but especially the stabilisation of our currency — a lively

promoting of Joint Stock Banks set in, the necessary capital being to a great extent supplied from abroad, but partly also from our own resources. Several Commercial Banks were established by the amalgamation of smaller Credit institutions.

At the beginning of 1924 the following 16 Banks were operating in Latvia:

	Lats in thousands
Riga Commercial Bank with a capital of (Rīgas komercbanka)	3,800·0
Farmers Centralbank (Lauksaimnieku centralbanka)	120·0
Latv. Commercial & Industrial Bank (Latv. tirgotāju un rūpnieku banka)	2,100·0
Latvian National Bank (Latvijas tautas banka [kooperativā centrale])	100·0
Latvian Commercebank (Latvijas komercbanka)	500·0
Latv. Farmers Bank (Latvijas zemnieku banka)	500·0
Libau Bank, Limited (Liepājas banka)	1,000·0
Lettish Bank, Limited (Latviešu akciju banka)	100·0
Riga International Bank (Rīgas internacionalā banka)	1,200·0
Latgales Joint Stock Bank (Latgales akciju banka)	150·0
Riga Credit Bank (Rīgas kreditbanka)	200·0
Latv. Merchants Bank (Latvijas tirgotāju banka)	200·0
Co-operative Transit Bank (Kooperativā tranzitbanka)	500·0
Riga Merchants Bank (Rīgas tirgoņu banka)	100·0
Northern Bank (Ziemeļu banka)	300·0
Riga Bank for Foreign Trade (Rīgas ārējās tirdzniecības banka)	1,000·0

In addition concessions to operate in Latvia have been granted to the following Banks:

Latvian Private Bank with a capital of (Latvijas privatbanka)	Ls 2,000·0
Eastern Bank (Austrumu banka)	„ 1,500·0

Riga Unionbank . . . . . Ls 1,000·0
(Rīgas unionbanka)
Riga Commerce Bank . . . . . „ 500·0
(Rīgas tirdzniecības banka)

To meet the requirements of agrarian credit the State Land Bank was created on 21st March 1922, which institution grants long termed loans to our farmers.

Up to 1st January 1924, Debentures issued by that institution amounted to Lats 2,534,360·—

Comparative tables, showing the increase of transactions of our Credit institutions during the last 5 years, are given hereunder.

Latvian Credit Institutions.

Total Returns on 1-st January in thousands of Lats.

Assets. — *Joint Stock Banks.*	1920	1921	1922	1923	1924
1. Cash and Current accounts	134·2	908·9	1,026·9	2,232·1	4,567·5
2. Bonds and Securities . . .	944·4	578·4	355·8	339·4	827·6
3. Loans	—	—	—	462·4	—
	682·5	1,091·8	1,284·6	—	10,652·9
4. Special Current accounts .	—	—	—	2,297·6	—
5. Bills discounted	227·0	700·9	1,152·7	3,760·8	11,902·6
6. Real Estate	48·3	183·3	181·0	3,329·2	3,975·5
7. Correspondents	354·4	1,009·8	3,573·1	10,814·2	21,910·5
8. Foreign Currency	—	—	208·9	240·9	912·2
	534·9	2,143·8	—	—	—
9. Various assets	—	—	2,509·1	6,306·9	22,219·6
Total . .	2,925·7	6,616·9	10,292·1	29,783·5	76,968·4

Liabilities.	1920	1921	1922	1923	1924
1. Capital	241·5	646·5	642·9	7,049·1	11,986·7
2. Various funds	83·2	129·3	134·1	265·0	401·8
3. Deposits	—	—	—	782·8	—
	1,354·7	2,116·9	2,385·1	—	15,970·6
4. Current accounts	—	—	—	5,472·8	—
5. Loans	542·6	843·3	747·7	1,289·7	5,609·3
6. Correspondents	309·0	882·7	3,153·1	8,587·8	19,901·7
7. Various liabilities	394·7	1,998·2	3,229·2	6,336·3	23,098·3
Total . .	2,925·7	6,616·9	10,292·1	29,783·5	76,968·4
Number of institutions . . .	5	9	10	14	16

Mutual Credit Societies.

Assets.	1920	1921	1922	1923	1924
1. Cash and Current a/c.	41·4	241·5	403·9	832·7	816·4
2. Bonds and Securities	32·8	52·8	47·5	12·9	109·8
3. Loans	—	—	—	72·5	—
	244·3	256·1	556·3	—	1,322·6
4. Special current a/c.	—	—	—	625·9	—
5. Bills discounted	200·9	575·2	671·7	2,116·8	5,503·1
6. Real Estate	32·4	100·1	97·9	1,021·6	1,307·2
7. Correspondents	16·9	353·7	1,073·9	984·6	1,156·7
8. Foreign Currency	—	—	55·8	77·5	42·3
	103·9	198·5	—	—	—
9. Other assets	—	—	493·3	1,075·4	2,032·5
Total	672·6	1,777·9	3,400·3	6,819·9	12,290·6
Liabilities.					
1. Capital	37·5	88·2	137·8	329·3	810·6
2. Various funds	18·5	35·6	49·5	184·3	417·7
3. Deposits	—	—	—	472·2	—
	311·4	797·6	1,429·8	—	4,292·1
4. Accounts Current	—	—	—	2,042·3	—
5. Correspondents	42·2	257·5	777·3	777·7	545·6
6. Loans	208·1	363·3	343·1	1,002·6	3,008·4
7. Other liabilities	54·9	235·7	662·8	2,011·5	3,216·2
Total	672·6	1,777·9	3,400·3	6,819·9	12,290·6
Number of institutions	10	22	25	24	25

Credit Cooperatives.

Assets.	1920	1921	1922	1923	1924
1. Cash and Current a/c.	35·4	97·9	180·8	265·5	741·2
2. Bonds and Securities	12·9	65·3	173·6	24·1	33·8
3. Loans	161·5	492·6	968·3	2,528·5	9,612·9
4. Special current a/c.	—	—	—	—	—
5. Bills discounted	—	—	—	—	—
6. Real Estate	22·9	52·7	108·1	446·8	906·4
7. Correspondents	—	—	—	—	—
8. Foreign Currency	—	—	1·3	—	—
	50·6	114·4	—	372·2	1,094·6
9. Other assets	—	—	257·4	—	—
Total	283·3	822·9	1,689·5	3,637·1	12,388·9

Liabilities.	1920	1921	1922	1923	1924
1. Capital	17·1	66·1	89·5	204·1	915·9
2. Various funds	10·8	38·0	86·3	332·8	576·8
3. Deposits	—	—	—	1,153·2	—
	206·3	559·1	1,065·2	—	3,893·0
4. Current accounts	—	—	—	324·8	—
5. Loans	24·5	77·6	211·3	973·9	5,119·3
6. Correspondents	—	—	—	—	—
7. Other liabilities	24·6	82·1	237·2	648·3	1,883·9
Total	283·3	822·9	1,689·5	3,637·1	12,388·9
Number of institutions	17	72	115	149	239
Number of members			52,213		

Assets.	Total balances of Credit institut-s on 1 January 1924	Balances of State Land Bank on 1 January 1924	Balances of chief a/c. of Latv. Banka on 1 January 1924
1. Cash and Current a/c.	6,125·1	9,982·0	14,151·1
2. Bonds and Securities	971·2	730·7	54·6
3. Loans	21,588·4	19,013·2	6,163·8
4. Special current a/c.	—	—	12,372·8
5. Bills discounted	17,405·7	—	20,138·3
6. Real Estate	6,189·1	266·9	146·2
7. Correspondents	23,067·2	—	—
8. Foreign Currency	954·5	—	67,155·8
9. Other assets	25,346·7	793·1	13,507·7
Total	101,647·9	30,785·9	133,690·3
Liabilities.			
1. Capital	13,713·2	4,000·0	10,214·1
2. Various funds	1,396·3	22,860·7	23,943·6
3. Deposits	24,155·7	—	2,017·7
4. Current accounts	—	—	39,489·0
5. Loans	13,737·0	2,532·6	—
6. Correspondents	20,447·3	—	202·8
7. Other liabilities	28,198·4	1,392·6	57,823·1
Total	101,647·9	30,785·9	133,690·3

These statistics show, with reference to the Latvijas Banka and the State Land Bank, the assets of those two principal State Credit Institutions on the 1st January 1924, to be:

Lats 164,476,000

exceeding nearly by 64% the total assets on first January 1924 of all other Credit institutions of Latvia.

Comparing the returns of all private Credit institutions for the last five years, it appears that during that period they have increased nearly 30 times.

The Latvijas Banka has granted Credits to our Private Credit Institutions in 1923,

by rediscounting their Bills,

the balance of these on 1st January 1923 was	Lats	1,648,475
Rediscounted in 1923	„	23,907,312
Redeemed in „	„	16,989,806
Balance on 1st January 1924	„	8,565,981

by various other Credits,

the balance of which on 1st January 1923 was .	Lats	72,485
granted in 1923 was	„	7,608,603
Repaid „	„	3,524,010
Balance on 1st January 1924	„	4,157,078

from which it is seen that by far the greatest part of these Credits were in the form of rediscounted Bills, those transactions forming more than a third part of all discounting operations of the Latvijas Banka.

Rates of Exchange and Foreign Currency.

The Section for foreign currency, as mentioned before, was at first under the direct management of the Credit Department of the Ministry of Finance, forming then a constituent part of the Treasury. By the help of that Section the Credit Department endeavoured to regulate the import and export of foreign currency, the export of it being limited, and the exported amounts being taxed with an export duty of 1%. At the same time this Section controlled the Money Changing Offices and transactions in foreign currency with Private Credit Institutions, in order to combat speculative operations in foreign currency. In time strict commercial transactions prevailed and the Section bought foreign currency on the Exchange and from private individuals, so as to meet the requirements of our local merchants of foreign currency.

With the creation of the State Savings and Credit Bank, the functions of the Section for foreign currency were transferred to that Bank, only the management of the State foreign currency stock remaining with the Credit Department. The State Savings and Credit Bank by executing all usual banking transactions, naturally received much more foreign currency, than was the case with the Section for foreign currency, and thereby the Bank was enabled to take measures for the stabilisation of our currency.

At that time the relation of the ideal gold franc to the Latvian rouble was 1 to 98, but later that relation gradually changed to 1 to 50, since when it has not altered. Thanks to the stability of our currency having been achieved, it became possible to introduce, on 1st January 1923, the gold franc or lat as

stable value and legal tender, and from that date all official accounts and statements had to be made only in Lats.

The gradual stabilisation of our currency is shown by the statement hereunder.

Relation of the Latvian Rouble to Pounds Sterlg.

	1920	1921		1920	1921
in January	233	792	in July	300	1,692
„ February	239	783	„ August	350	1,409
„ March	290	990	„ September	530	1,390
„ April	301	1,472	„ October	575	1,380
„ May	320	1,845	„ November	610	1,110
„ June	230	1,888	„ December	720	1,010

The „Lat", as Latvian monetary unit — is based on gold, and the notes issued by the Latvijas Banka, may be exchanged against gold or foreign currency without any limitations, but the Latvian rouble also remains full legal tender parallel with the lat, the relation being fixed at one Lat equivalent to 50 Latv. roubles, and consequently our currency is no longer undergoing fluctuations.

As to the fluctuations in the rates of exchange of foreign currency on the Riga Exchange, beginning with 1922 these fluctuations have been due to fluctuations of the respective foreign currencies in comparison to the gold rates. The average rates of foreign currencies at the Riga Exchange for the last four years are given in the tables hereunder.

The equivalent of one pound sterling in Latv. roubles:

Average Rates of Foreign currency at the Riga Exchange in Lats for the years:

	1920	1921	1922	1923
1 pound sterling	7·92	26·26	22·46	23·29— 23·34
100 French francs	14·62	51·40	41·46	30·50— 30·75
1 American dollar	2·20	6·78	5·06	5·11— 5·13
100 Belgian francs	—	47·42	38·80	26·64— 27·13
100 Swiss francs	—	—	97·40	91·90— 92·57
100 Swedish crowns	46·34	153·96	133·04	135·11—136·90
100 Norvegian crowns	40·14	100·08	88·44	85·57— 87·85
100 Danish crowns	35·36	121·18	106·26	92·92— 94·60
100 Czechoslovakian crowns	—	—	12·72	15·28— 15·69
100 Dutch guilders	71·72	227·68	195·58	200·45—201·97
100 German marks	4·20	8·62	1·16 (million Germ. marks)	— —
100 Finnish marks	7·04	13·34	10·98	13·60— 13·68
100 Esthonian marks	0·96	1·68	1·48	1·49— 1·52
100 Polish marks	0·94	0·50	0·12	1·01— 1·12 (for 10,000)
100 Italian lire	—	—	23·0	22·82— 23·62
200 Lithuanian lits	—	—	51·0	50·62— 51·73
10 Russian Tzar gold roubles	—	33·90	24·46	26·02— 28·96
1 gold franc	0·40	1·32	1·0	1·—

The above tables show that the average rate for the pound Sterling in 1923 was higher than the average rate of the preceding year 1922. This is to be explained by the fact that during the first half of 1923 the rate for the pound was continually rising with a distinct tendency to reach the prewar value of gold or gold parity, but at the end of the year the rates went down rapidly, reaching on the 31st December such a low level, that when closing accounts, that great difference between the rates existing at the beginning of the year and those of the close, resulted in a loss to the Bank by exchange in foreign currency of Lats 1,691,199·23 which had to be written off.

The rates of exchange for the pound in 1923 were:

(in Lats)

	on the 1st	on the 15th		on the 1st	on the 15th
January	23·74	23·90	July	23·59	23·63
February	23·88	24·08	August	23·52	23·52
March	24·08	23·92	September	23·39	23·35
April	24·10	23·96	October	23·41	23·28
May	23·81	23·72	November	23·03	22·53
June	23·79	23·72	December	22·45	22·56

31st December 22·47.

Transactions in foreign currency with the Latvijas Banka are rather extensive The Bank holds the largest foreign currency reserve in Latvia and regulates the circulation of that currency in the country, having also secured a dominant position at the Riga Exchange.

Since the establishment of the Latvijas Banka on 1st November 1922 succesive increase of the reserves of foreign currency is to be noted, as may be seen from the tables hereunder.

Returns and Balances of Foreign Currency

(in Lats)

1922.	Balance on the first of the month	Returns		Balance on ultimo of the month
		Bought	Sold	
November	19,460,520·93	15,192,925·83	9,261,240·73	25,392,206·03
December	25,392,206·03	18,569,131·69	11,319,294·22	32,642,043·50
1923.				
January	32,642,043·50	22,587,936·12	21,806,211·96	33,423,767·66
February	33,423,767·66	8,955,909·11	4,410,830·10	37,968,846·67
March	37,968,846·67	8,324,411·05	5,396,298·13	40,896,959·59
April	40,896,959·59	12,499,084·33	10,996,307·37	42,399,736·55
May	42,399,736·55	22,044,940·46	13,358,859·17	51,085,817·84
June	51,085,817·84	7,750,595·47	7,188,989·42	51,647,423·89
July	51,647,423·89	12,467,812·16	4,572,688·51	59,542,547·54
August	59,542,547·54	10,658,498·28	9,448,944·45	60,752,101·37
September	60,752,101·37	6,515,271·58	6,011,877·81	61,255,495·14
October	61,255,495·14	8,149,305·25	8,408,635·43	60,996,164·96
November	60,996,164·96	9,374,739·21	13,971,990·44	56,398,913·73
December	56,398,913·73	20,540,103·37	26,509,730·69	50,429,286·41

For the last two months of 1923 there was a decrease of $10^1/_2$ million Lats, in the foreign currency reserves due to the unfavourable condition of our agriculture owing to the poor harvest, when the export of agricultural produce diminished and even corn had to be imported.

The Returns of the various currencies are given in the table below.

	Balance on 1 Jan. 1923	Returns Bought	Returns Sold	Balance on 1 Jan. 1924
Pound sterling . .	1,072,043 9 11	2,884,064 3 $8^1/_2$	2,165,462 13 $5^1/_2$	1,790,645 —/2
USA dollars . . .	671,784·47	3,964,357·30	3,502,284·67	1,133,857·10
Dutch guilders . .	471,131·51	252,386·87	467,937·52	255,580·86
Swedish crowns .	835,173·54	430,309·13	1,107,994·19	157,488·48
French francs . .	232,074·02	1,342,657·89	1,483,529·88	91,202·03
Belgian „ . .	74,354·11	1,394,490·85	1,408,278·60	60,566·36
Swiss „ . .	14,120·50	543,088·23	544,778·58	12,430·15
Czechoslov. crowns	99,120·—	2,463,810·78	1,955,597·78	607,333·—
Danish „	180,575·70	413,550·47	560,202·91	33,923·26
Norvegian „	44,258·78	320,950·21	291,254·95	73,954·04
Finnish marks . .	1,350,370·29	2,691,368·79	3,881,953·79	159,785·29
Polish „ . .	9,144,200·—	2,179,833,086·—	1,058,307,286·—	1,130,670,000·—
Esthonian „ . .	1,969,373·54	56,510,221·24	50,209,555·78	8,270,039·—
Lithuanian lits . .	117.50	640,050·95	367,510·76	272,657·69
Other currencies (in lats)	8,718·05	1,403,523·78	1,320,078·40	92,163·43

The Bank is operating in foreign currency to the interest of our Commercial and Industrial concerns, buying from and selling to them various currency by cheque or draft at the established rates, and executing payments or transfers to and from abroad. By order of Government institutions the Bank effected in 1923 various payments abroad on behalf of the Exchequer for £ 465,878 —/— or Lats 10,626,852·56, and in other currencies for abt. Lats 2,587,000·—.

The Latvijas Banka entertains connections with the most important Banks all over the world. Thanks to the rather large reserves of foreign currency held by the Bank, its foreign transactions are very lively and continue to develop.

The list of our foreign correspondents is given on the following pages.

At the conclusion of our Report on the Bank and the economic conditions prevailing in Latvia, we are pleased to remark that in all lines of our economic life the successful reconstruction commenced after the War, is continuing satisfactorily. Notwithstanding our poor crop last year, the consequences of which began to be felt already at the end of last year and are still to some extent affecting our economic life in the current year, we feel sure that for the next future particular difficulties or noticeable stagnation are not to be anticipated.

At all events the Latvijas Banka will always do its best to avert any serious crisis or at least to mitigate it.

CORRESPONDENTS

OF THE

LATVIJAS BANKA.

CORRESPONDENTS OF THE LATVIJAS BANKA.

England

The Royal Bank of Scotland	London
Barclays Bank Limited	"
Lloyds Bank Limited	"
Westminster Bank Limited	"
Samuel Montagu & Co.	"
The National City Bank of New York	"
Midland Bank Ltd.	"

U. S. America

The National City Bank of New York	New York
Irving Bank-Columbia Trust Co.	"
Equitable Trust Company	"
American Express Company	"

France

Société Générale	Paris
Banque de Paris et des Pays-Bas	"

Belgium

Banque de Paris et des Pays-Bas	Brussels
Banque d'Anvers	Antwerp
Banque de Commerce	"

Switzerland

Crédit Suisse	Zürich
Schweizerischer Bankverein	"

Italy

Credito Italiano	Rome
Banca Commerciale Italiana	Milano

Holland

Banque de Paris et des Pays-Bas	Amsterdam
Mendelssohn & Co	"
Rotterdamsche Bankvereeniging	"
Handel Maatschappij H. Albert de Bary & Co	"

Sweden

Stockholms Enskilda Bank	Stockholm
Svenska Ekonomiaktiebolaget	"

Norway	
Centralbanken for Norge	Christiania
Denmark	
Den Danske Landmandsbank	Kopenhagen
Kjøbenhavns Handelsbank	»
Czechoslovakia	
Živnostenská Banka	Prag
Banka Československých legií	»
Austria	
Anglo-Austrian Bank	Vienna
Živnostenská Bank	»
Germany	
Direction der Disconto-Gesellschaft	Berlin
Deutsche Bank	»
Darmstädter und Nationalbank	»
Berliner Handelsgesellschaft	»
Norddeutsche Bank	Hamburg
Commerz und Privatbank	»
M. M. Warburg & Co	»
Allgemeine Deutsche Creditanstalt	Leipsic
Memeler Bank für Handel & Gewerbe	Memel
Poland	
Bank Polski	Warsaw
Banque d'Escompte de Varsovie	»
Bank Związku Spółek Zarobkowych	»
Bank Towarżystw Spółdzielczych	Vilno
Finland	
Suomen Pankki	Helsingfors
Unionbanken i Finland	»
A. B. Nordiska Föreningsbanken	»
Esthonia	
Eesti Pank	Reval
G. Scheel & Co	»
Lithuania	
Lietuvos Bankas	Kovno
Lietuvos Tarptautinis Bankas	»
Russia	
Union of the U. S. S. R.	Moscow
» » » » » »	Leningrad
» » » » » »	Minsk

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1924

LATVIJAS BANKA.
BANK OF LATVIA.

REPORT
FOR
1924.

1925.

PRINTED AT THE STATE PRINTING-OFFICE.

ADMINISTRATION OF THE LATVIJAS BANKA.

on the 1-st of January, 1925.

COUNCIL.

RINGOLDS KALNINGS — *Chairman,* Member of the Saeima (Parliament), formerly Minister of Finance, Member of the Board of Directors of the First Latvian Sugar Factory Ltd.

JĀNIS VESMANIS — *Deputy Chairman,* Member of the Chair and Secretary of the Saeima.

KĀRLIS BENZE — Partner of the Commercial-Industrial Association "The Metalist", formerly Member of the Constitutional Assembly.

ADOLFS BĻODNIEKS — Director of the First Latvian Insurance and Transport Joint Stock Company, formerly Member of the Constitutional Assembly.

ANSIS FRIŠMANIS — Chairman of the Latvian Economical Association.

ALEKSANDRS KĀRKLIŅŠ — Representative of the Ministry of Finance, Director of the Credit Department.

Dr. FRICIS MENDERS — Member of the Saeima.

PĒTERIS PLOSTIŅŠ — Inspector of State Land for the district of Riga, Member of the Board of Directors of the Latvian Small Farmers Economical Association.

PĒTERIS SIECENIEKS — Member of the Saeima and Director of the Central Cooperative Association "Konzums".

FRANCIS TRASUNS — Member of the Saeima.

JEZUPS TRASUNS — Member of the Saeima.

JĀNIS ZEEBERGS — Chairman of the Riga Exchange Committee, formerly Minister for Commerce and Industry.

BOARD OF DIRECTORS.

EDGARS ŠVĒDE — *Director General.*

KĀRLIS VANAGS — *Deputy Director General.*

VILIS BANDREVIČS — *Director.*

ERNESTS OZOLIŅŠ — *Director.*

ALFREDS VARENAIS — *Director.*

BRANCHES OF THE LATVIJAS BANKA IN LATVIA.

EXECUTING ALL BANKING OPERATIONS:

Liepāja (Libau)	Manager	*A. Dumpe.*
Ventspils (Windau)	„	*A. Neretnieks.*
Jelgava (Mitau)	„	*J. Lecis.*
Daugavpils (Dünaburg)	„	*V. Oglevics.*
Rēzekne (Rositten)	„	*J. Ķīsis.*
Valmiera (Wolmar)	„	*P. Kuplis.*
Cēsis (Wenden)	„	*M. Bērziņš.*

OPERATIONS OF WHICH ARE LIMITED:

Kuldīga (Goldingen)	Manager	*K. Pinkovskis*
Tukums	„	*O. Paune.*
Talsi	„	*F. Grinvalds.*
Smiltene	„	*E. Apse.*
Alūksne (Marienburg)	„	*D. Liezers.*
Saldus (Frauenburg)	„	*F. Gailis.*
Bauska	„	*J. Indus.*
Jēkabmiests (Jakobstadt)	„	*F. Skujskubris.*
Jaunjelgava (Fridrichstadt)	„	*Ž. Fogelmans.*
Aizpute (Hasenpoth)	„	*J. Ruškevics.*
Rūjiena	„	*V. Leimans.*
Valka	„	*J. Ķimins.*
Madona	„	*P. Apsīts.*
Limbaži (Lemsal)	„	*K. Cīruls.*
Ludza (Lucin)	„	*K. Vītols.*

LATVIJAS BANKA.

BANK OF LATVIA.

1924.

THE economic life of Latvia, for the year 1924 shows two distinct features, appearing simultaneously and marking it with a characteristic impression.

In the first place we notice that after the war the work of reconstruction and its completion is irresistibly continued in all lines, but at the same time we cannot help remarking what is also obvious to every one of the constructors and workers, that the means at our disposal are so very limited, that many of our urgent necessities cannot be satisfied to their full extent.

That lack of necessary means has been still more accentuated by the circumstance that the crop of 1923 (owing to unfavourable climatic conditions) could not be fully harvested, as also by the poor yield of our harvest of the year 1924.

As to our agricultural life so much more fallow land has been tilled and the acreage of sown fields has increased, likewise the stock of cattle, and our farmers have secured new plant, better adapted for rational cultivation, and in addition, their cooperative undertakings are devèloping more and more.

Our industry is endeavouring to use up more of our home raw products, manufacturing articles which are most in demand, or likely to find a ready market. Many new factories have been started and several of the old establishments have to some extent renewed work.

Our trade, serving the real wants of our country, is gradually recovering its normal position. Reliable import and export houses have been established, and the speculators of before and after the war, with their pernicious manoeuvres, are gradually disappearing from the scene.

Such a stir in all branches of our economic life proves that our country is steadily overcoming the evils of the war, so that its progress cannot be denied, but though a great deal has been accomplished, much more still remains to be done in order to make full reparation and to adapt our life to the new conditions created by the calling into existence of an independent Latvia.

With only our good will and capability for work at our disposal, we cannot hope to carry out more or less the plans conceived by our leaders, nor fulfil the task, incumbent upon us as a nation, and due to us by the geographical situation of our country.

Also before the war, Latvia had no great pecuniary means to boast of, and many of the values then at our disposal have gone astray during the war, whereas the accumulation of new capital is only very slowly progressing, it appears even, as if, owing to the poor yields of our last crops, the increase of existing capital has come to a standstill with us, though, in reality, this is not the case. Under such conditions it is not at all astonishing that our farmers, as well as our manufacturers and merchants, having a large field for activity before them, are in search of capital and endeavouring to get access to it. In the first place they are trying to get support from our State resources, claiming that a greater portion than that allowed up to the present, should be granted for their productive purposes, and at the same time desiring that foreign capitalists should be encouraged to make investments here. Similar claims are also made to the Latvijas Banka (as State Bank), which is very often unreasonably blamed for not meeting these claimants, who wrongly interpret the rights and duties of our Central Money Institution, because they cannot or will not distinguish between the two different forms of Credits, i. e. Credits anticipated and allowed by the State budget, and Credits granted by the Bank on certain conditions and against sufficient securities. These claims, though unreasonable ones, become comprehensible, when the great wants above mentioned are taken into consideration, and the endeavour to meet all the needs with our scanty and insufficient means.

Also, during the past year, it was incumbent on the Latvijas Banka, as State Central Money Institution, to take care that no disturbance should occur in the regular money circulation of the country, so that the necessary funds should be ready in due time, and the currency not exposed to fluctuations.

Judging by the yearly returns, which for the preceding year 1923 were Lats 2,063,146,540·23 and have increased for 1924 to Lats 3,475,729,324·67 i. e. nearly 70%, it may be stated with satisfaction that the Bank has fulfilled its task: our currency, in respect to the gold rate or to the Dollar, has remained stable and the Bank has used its right of emission with great precaution and comparatively to a small extent.

On the 1-st January 1924 were emitted	Ls	23,000,000·—
whereas on the 1-st January 1925 emissions reached	„	30,907,000·—
the increase being	Ls	7,907,000·—
or only 34%.		
As of those emitted	„	30,907,000·—
on the 1-st January 1925 were remaining untouched	„	2,547,130·—
there were circulating in fact only	Ls	28,359,870·—
and those were covered by gold coin and bullion for	„	23,581,727·66
together with reserves of stable foreign currency to the amount of	„	42,791,737·76
total	Ls	66,373,465·42

the emissions being thus covered for 234%, without taking into account our stock of discounted ensured Bills, which were booked on the 1-st January 1925 for the gross amount of 45 million lats.

In accordance with the Statutes of our Bank, paragraph 13, notes 1 and 2, our emissions must be covered for their full nominal value. If the nominal value of the emitted banknotes does not surpass one hundred million lats, 50% of the covering must be in gold and stable foreign currency, whereas the other 50% may be covered by short-sight bills. If the emissions exceed the amount of one hundred million lats up to 150 millions, then the excess amount must be covered to 75% with gold and stable foreign currency and the remaining 25% by short sight bills.

As above-stated the reserve of gold and foreign currency on the 1-st January 1925 was equal to . . . . . Ls 66,373,465·42
and short-sighted drafts for . . . . . „ 45,000,000·—
making a total of . . . . . Ls 111,373,465·42
up to which amount emissions would be legally allowed.

In addition to this, it should be mentioned that from the above amount, one hundred millions were to be covered: 55% by gold and stable foreign currency, and 45% by short sight bills, whereas the exceeded amount, Ls 11,373,465·42 was to be covered by gold and foreign currency only. However as the Bank has used its right of emission legally allowed up to . . . . . Ls 111,373,465·42
only for . . . . . „ 28,359,870·—
that right of emission had not been utilized for . . . . . Ls 83,013,595·42
an amount nearly three times more than the actually utilized sum.

This shows how carefully the Bank has used its right of emission, carrying always in the first place for sufficient covering and for maintaining the stability of the currency.

Nevertheless, the demands of our economic groups for new credits could be met in 1924 to a much greater extent than in the preceding year, which is shown in the following table, where also the increase of the active and passive transactions in 1924 may be observed (in millions lats):

	Reserve of gold and foreign currency	Discounted Bills	Various loans	Current a./c. and Deposits	State a./c. and Deposits
On 1-st Jan. 1924	Ls 66·7	Ls 24·1	Ls 21·9	Ls 43·7	Ls 40·1
„ 1-st „ 1925	„ 66·5	„ 45·8	„ 51·0	„ 47·3	„ 80·3
	— Ls 0·2	+ Ls 21·7	+ Ls 29·1	+ Ls 3·6	+ Ls 40·2

This table shows that the reserves of gold and foreign currency in 1924 remained almost unchanged, whereas the item of discounted bills has increased by 90%, loans against various securities have increased by 133%, private current accounts and deposits by 8% and State accounts and deposits by 100%.

For illustration it may again be observed, that, during the year 1924, the aggregate value of the discounted bills reached about 176 million lats, and that

of redeemed bills, 131 million lats, from which facts it is easy to draw a conclusion as to the importance of those sums, which discounted, and in the way of loans through the Latvijas Banka have been made accessible for our economic concerns.

Moreover, the above figures prove that the pecuniary means which were at the disposal of the Latvijas Banka have always been judiciously used to serve productive ends and have materially assisted to strengthen the economic position of our country.

On analysing these figures and beginning with discounted bills, we find that of the 45·8 million lats, 15·7 million lats fall only to direct discount, the remaining 30·1 million lats being rediscounted operations on behalf of private banks and other credit institutions, 9·1 million lats of the latter amount, in favour of country cooperative societies. Of the total of direct discounts of 15·7 million lats, there has been apportioned to merchants 9·2 millions, and to industrial enterprises 6·5 millions. The repartition of the aggregate amount of various loans of 51 million lats is as follows: to merchants 17·2 millions, to industrial concerns 18·2 millions, to farmers 12·3 millions and to municipal credit institutions 3·3 millions. These partitions, however, cannot pretend to give a clue as to what persons, or what economic groups have received the benefit of these loans or credits, for the private banks and credit institutions, as well as the merchants and industrial concerns, have made, in their turn, the received money accessible to other concerns, and especially to our farmers. To these latter the Latvijas Banka has endeavoured to make special advances in regard to the difficult position in which they were placed by the failure of the harvest of the last two years. Also for the benefit of our farmers, two new operations were admitted: mortgages and loans on farming inventory, which are granted for a longer running time than is usually allowed by commercial banks, but the Latvijas Banka accorded this, wishing to help at the right moment, paying more attention to the security of these operations, and less to the liquidity of its means, for it only needs a good harvest this year to get the money repaid without much trouble and before the term.

The aggregate amount of these loan operations to farmers, forming not even 10 per cent of the Bank's active operations, cannot much affect the liquidity of its means. In this connection still another facility has been granted to our farmers, i. e. a lower rate of interest than was usual up to the present, that new rate being fixed at 7 and $7^1/_2$%, instead of the running rates of 9% on discounted bills and 10% for loans, which latter rates are lowered for private banks and credit institutions, by one percent for rediscount and relombarding operations, being reckoned then 8% and 9% respectively.

Though these rates of interest, duly taking into consideration our economic circumstances and our very limited money market, must be allowed to be sufficiently low, as in the free money market, interest rates are much higher, nevertheless, claims for lower rates do not cease. For the past year the Bank could not take into consideration these claims, as neither the conditions of the general money market, nor the rapid increase of our active operations, as abovementioned (discounts by 90% and loans by 133%), would not justify this.

Here special attention again is drawn to the fact, that, for the same period now under examination, deposits with the Latvijas Banka had increased only by 8%, whereas with private banks and Credit institutions the increase was from 24·2 million lats on 1-st January 1924, to 38·4 million lats on 1-st January, 1925, i. e. an increase of 14·2 million lats or abt. 58%, which positively proves that the process of saving and creating new capital still continues very slowly with us, our productiveness being still insufficiently developed, also taking into consideration that the post-war psychology of the multitude in respect to the trustworthiness of savings banks and other money-handling institutions, has not as yet undergone any change.

This want of confidence was still upheld by rumours circulating from time to time, about political complications in the East, and these rumours became partly justified by the unsuccessful riot of the communists at Reval in December 1924, though finally that riot also gave some positive results, not only in Esthonia, but also in her neighbouring states, reviving the self-confidence of the nations, and showing that the power of the bolsheviks is strictly limited.

Having under observation the operations of saving and capital creating, we cannot proceed without drawing attention to some facts, which are reflected by the table given above, where it is to be seen that the State accounts and State deposits with the Latvijas Banka have doubled during the last year. This proves that a part of the people's earnings in the form of paid duties are enlarging the State Revenues and stand at the disposal of the State.

If these accumulated means are turned to good account in the form of loans to assist the productiveness of the national labour, as previously mentioned, then little objection could be made in this respect. In this connection we wish to point out that in the past year, besides the recently created State Land Bank, there has been opened, also by the assistance of the Exchequer, a Mortgage Bank, the incumbency of which institution is to grant mortgage credits to owners of real estate in the town, as well as in the country.

Both these banks are to a certain extent facilitating the task of the Latvijas Banka, allowing us to work our short terms credit transactions, with more concentration, and to decline granting credits for long terms, referring the applicants to the two above named Banks. Up to now the influence of these two Banks is not very noticeable, but as soon as they find a suitable market for their mortgage bonds and debentures, their economic influence will become rather important.

Referring back for a moment to our loan transactions, it may be observed that in 1924 the aggregate amount of various loans reached 117 million lats, of which about 60% was granted on goods and documents ensuring goods. Repayments of 66 million lats, were made for the period under review of which about 40 millions were repaid for redeemed goods.

The balance of our loan operations on January first 1925 is to be apportioned as follows (in million lats):

a) Loans against various securities and bonds for . . . Ls 15·5
(of these 13·7 millions against obligations of industrial concerns in town and in the country)
b) loans against inventory of farmers and also industrial plant . . . . . Ls 8·9
c) loans against goods . . . . . „ 15·1
d) accreditives . . . . . „ 11·5

These loans mentioned sub a) and b), were for the greater part granted to meet the needs of our farmers and tradesmen with a view of assisting them to develop their enterprises and to increase their productiveness, whereas the loans against goods and accreditives have been for the benefit of our merchants.

Loans against goods were chiefly given to our timber exporters and owners of saw mills, who, notwithstanding the unfavourable position of the timber trade have managed to effect rather brisk returns, not causing any complications to our Bank.

The accreditives have been granted principally for the benefit of our import operations, in the first place for raw materials for the needs of our industries, secondly for imported corn, these latter operations being a consequence of the poor results of our crops of 1923 and 1924, and lastly, a part of these loans has been for the benefit and support of our transit-trade.

Then passing on to the remaining, more important operations of our Bank, we see that precious metals, chiefly gold, have been bought for 67·3 million lats, and sold for 43·4 millions, leaving at the disposal of the Bank on the first January 1925, gold for 23·6 million lats, against 16·7 millions on the first of January 1924. That increase was operated by selling a part of our reserves of Sterling currency against gold, at the beginning of the year 1924, which gold is deposited in the name of our Bank, with the Bank of England in London.

Our transactions in foreign currency have been rather brisk and not less important. They are shown by the accounts for remittances in foreign currency, where the aggregate amount of Drafts sent for collection is 95·7 million lats, of which were paid up to 1. I. 1925, 89·6 million lats. Our accounts "Nostro" and "Loro" for the period show:

paid in with our correspondents	320	million lats
paid out by „ „	279	„ „
whereas on "Loro"		
we have received for them . .	4·9	„ „
and paid for them	4·5	„ „

Taking into consideration that our foreing currency reserves are lodged with our foreign correspondents, and we only occasionally have the advantage of credit facilities with them, the greater part being always deposited with British Banks in Sterling currency and the exchange rate of that currency having been

steadily improving in 1924 — we have had to enter to our account (besides interest received Ls 1,086,054·30) a profit caused by improved exchange rate on Sterling of Ls 2,681,214·32, compensating thereby our loss on pounds Sterling in 1923 of Ls 1,691,199·23 with a large premium.

Transactions in bonds and securities also in 1924 were not of any importance and were limited to our lottery-bonds. The reason for this is that we have not, as yet, an adequate market for handling bonds.

Collections of clean and documentary bills show an increase from Lats 1·5 mill. on January 1-st 1924, to Lats 4·7 millions on first January 1925, the returns being 42·4 million lats against 47·1 million lats respectively.

The figures for acquired household inventories and furniture, also real estate, in 1924 are Lats 97,609·85, the aggregate value with previous acquirements being Lats 232,932·82, of which sum were written off, Lats 37,684·73, as sinking fund.

The Bank has aquired premises for its Branches at Cēsis, Tukums, Talsi and Aizpute, the aggregate value of these being Lats 93,993·02, less Lats 4,699·66, entered to sinking fund.

In addition premises have been purchased at the end of 1924 in Liepāja and Jēkabpils, which have not yet been corroborated in the Bank's name.

It has also been decided to purchase from the Ministry of Finance, premises for the needs of the branches of the Bank at Daugavpils, Ventspils, Kuldīga, Rēzekne and Ludza. All these purchases of real estate being as yet not finally settled and the formalities not yet fulfilled, they do not figure in the Bank's balance sheet for 1924.

The purchase of premises for the Bank in Rīga has met with various difficulties, which, it is hoped, will soon be removed.

The returns of the Head Office at Rīga and all Branches for the year 1924 show 258 million lats and the balance carried forward on 1-st January 1925 is Lats 25,846,129·84, the corresponding figures of the previous year (1923) being Lats 157 millions and Lats 11,712,984·15.

The gross earnings for the year 1924 are Lats 10,277,634·27, constituting nearly 100% of the original stock.

There are deducted as expenditures:

a)	interest paid on deposits, on current accounts and to correspondents	Ls	1,515,698·44
b)	salaries, administrative and domestic expenses	„	1,517,516·54
c)	for manufacturing and printing of banknotes i. e. to our State Printing works for the making of the 100 lat notes, and to the firm Waterlow & Sons, Limited, London, for the making of the 50 lat notes, total	„	67,199·43
d)	written off from premises and household inventory as sinking fund	„	33,384·13

e) written off as losses			Ls 545,482·57
These losses include	Ls	29,692·14	
of operations in precious metals, losses by exchange, losses on current accounts with correspondents in foreign currency (pounds Sterling) and postal expenditure etc	„	135,547·62	
protested Bills for	„	202,096·88	
and for precarious debts	„	178,145·93	
With respect to the two latter items there is every probability of getting the money after a certain time and by legal means, fully restituted.			

Deducting the total of the expenditure viz: Ls 3,679,281·51, there remains as net profit Ls 6,598,352·76 or 64% of the paid in original Stock.

The Council of the Bank of Latvia, taking into consideration the present small reserve fund of the Bank, has decided, with the approbation of the Minister of Finance, to create also a special reserve fund, besides the reserves provided by the statutes of the Bank, which special reserve will be intended to cover eventual losses from active transactions of the Bank, transferring for that purpose from the net profit the sum of Lats 1,000,000·—, after which will remain as net profit Lats 5,598,352·76 the distribution of which has been sanctioned as follows:

apportionment to the Bank's original stock 25%	Ls	1,399,588·19
„ to reserve funds 10%	„	559,835·28
Percentage to Members of the Council	„	27,991·76
„ „ „ „ Administration . . .	„	34,718·75
„ „ the Bank's Officials	„	279,917·64
apportionment to the State Revenues	„	3,296,301·14
total . . .	Ls	5,598,352·76

At the conclusion of our Report we wish to add some words in respect to our Branch Offices, eight of which are executing all banking operations, the remaining 14 branches being chiefly occupied on behalf of the Exchequer, some of these latter are also receiving deposits. The former eight branches have all worked successfully and their aggregate earnings were Lats 1,004,536·32, whereas the latter, which chiefly execute passive transactions on behalf of the Exchequer have been in need of subsidies for the aggregate sum of Ls 245,351·53. Deducting that sum from the earnings of the former eight branches, there remains nett Lats 759,184·79 or 14% of the total earnings of the Bank.

RETURNS

1924

(IN LATS)

I. Capital.

Capital on 31 December, 1924 . . . . . Ls 10,259,656·97

II. Reserve Fund.

Reserve Fund on 31 December, 1924 . . . . . Ls 961,879·22

II a. Latvijas Bankas active operations securities fund.

Active operations securities fund on 31 December, 1924 . . . . Ls 1,000,000·—

	Head Office	Branches	Total
III. Returns.			
For 1924	2810112099 80	665,617,224 87	3475729324 67
IV. Cash.			
Money in Cash per 1 I 1924 . . .	5,481,614 62	8,669,496 04	14,151,110 66
Received in 1924	511,155,243 17	171,227,077 15	682,382,320 32
	516,636,857 79	179,896,573 19	696,533,430 98
Paid out in 1924	511,646,060 18	171,767,112 72	683,413,172 90
Balance per 31 XII 1924	4,990,797 61	8,129,460 47	13,120,258 08
V. Gold specie.			
Cash per 1 I 1924	246,947 03	34,195 28	281,142 31
Received in 1924	9,051,148 57	56,560 39	9,107,708 96
	9,298,095 60	90,755 67	9,388,851 27
Paid out in 1924	8,396,155 —	66,807 17	8,462,962 17
Balance per 31 XII 1924	901,940 60	23,948 50	925,889 10
Profit on gold specie	25,931 11	1,725 76	27,656 87
VI. Silver specie.			
Balance on 1 I 1924	3,798 74	4,142 99	7,941 73
Received in 1924	130,175 48	41,364 02	171,539 50
	133,974 22	45,507 01	179,481 23
Paid out in 1924	133,872 39	42,006 46	175,878 85
Balance on 31 XII 1924	101 83	3,500 55	3,602 38
Profit on silver specie	17,355 82	848 73	18,204 55

	Head Office	Branches	Total
VII. Precious metals.			
Balance on 1 I 1924	2,711,615 65	— —	2,711,615 65
Received in 1924	15,581,900 52	— —	15,581,900 52
	18,293,516 17	— —	18,293,516 17
Paid out in 1924	10,361,615 37	— —	10,361,615 37
Balance on 31 XII 1924	7,931,900 80	— —	7,931,900 80
Loss on precious metals	29,692 14	— —	29,692 14
VIII. Precious metals. State deposit.			
Balance on 1 I 1924	13,732,890 75	— —	13,732,890 75
Received in 1924	13,923,354 47	— —	13,923,354 47
	27,656,245 22	— —	27,656,245 22
Paid out in 1924	12,923,307 46	— —	12,923,307 46
Balance on 31 XII 1924	14,732,937 76	— —	14,732,937 76
IX. Foreign Currency.			
Balance on 1 I 1924	466,126 62	54,687 51	520,814 13
Received in 1924	10,802,467 94	669,863 70	11,472,331 64
	11,268,594 56	724,551 21	11,993,145 77
Paid out in 1924	10,950,474 28	659,450 21	11,609,924 49
Balance on 31 XII 1924	318,120 28	65,101 —	383,221 28
Profit on foreign currency	51,137 40	10,928 89	62,066 29
Commission received on foreign curr.	16,417 21	21,608 77	38,025 98
	67,554 61	32,537 66	100,092 27
X. Money in transit.			
Balance on 1 I 1924	847,856 25	— —	847,856 25
Remitted to correspondents	4,031,194 23	18,868 97	4,050,063 20
	4,879,050 48	18,868 97	4,897,919 45
Received by correspondents	4,872,870 18	18,868 97	4,891,739 15
Balance on 31 December 1924	6,180 30	— —	6,180 30
Profit	17 64	369 12	386 76

	Head Office	Branches	Total
XI. Foreign Drafts.			
Balance on 1 I 1924	— —	917 21	917 21
Received during the year	— —	1,321,451 33	1,321,451 33
	— —	1,322,368 54	1,322,368 54
Sent during the year	— —	1,321,563 74	1,321,563 74
Balance on 31 XII 1924	— —	804 80	804 80
Profit	— —	666 33	666 33
XII. Foreign Drafts with Corresp.			
Balance on 1 I 1924	2,094,971 98	42,643 41	2,137,615 39
Sent to corresp. in 1924	90,873,325 74	1,419,341 56	92,292,667 30
	92,968,297 72	1,461,984 97	94,430,282 69
Collected by correspondents	86,866,194 75	1,459,998 95	88,326,193 70
Balance on 31 XII 1924	6,102,102 97	1,986 02	6,104,088 99
Profit on these drafts	18,929 38	2,408 16	21,337 54
XIII. Post-checks.			
Paid in during 1924	16,306,980 78	4,445,455 99	20,752,436 77
Received during 1924	15,864,569 14	3,871,366 90	19,735,936 04
Balance on 31 XII 1924	442,411 64	574,089 09	1,016,500 73
Interest received	895 83	679 76	1,575 59
XIV. Bonds.			
Balance on 1 I 1924	32,385 —	22,215 —	54,600 —
Received in 1924	41,320 43	18,901 76	60,222 19
	73,705 43	41,116 76	114,822 19
Delivered in 1924	40,306 93	21,380 76	61,687 69
Balance on 31 XII 1924	33,398 50	19,736 —	53,134 50
Profit on bonds	3,386 59	1,247 85	4,634 44

	Head Office		Branches		Total	
Specification of bonds held by the Head Office:						
4% Latv. internal loan . . à Ls 2·—	2,104	—				
5% „ Liberty loan of 1918 „ „ —·50	1,846	50				
5% „ „ „ 1918 „ „ 1·—	19,378	—				
5% „ „ „ 1918 „ „ 5·—	9,920	—				
5% „ „ „ 1918 „ „ 10·—	50	—				
5% „ „ „ 1918 „ „ 100·—	100	—				
Total pieces 26.113	33,398	50				
Bonds held by Branches:						
4% Latv. interior loan . . à Ls 2·—			11,536	—		
5% „ Liberty loan of 1918 „ „ —·50			464	—		
5% „ „ „ 1918 „ „ 1·—			3,976	—		
5% „ „ „ 1918 „ „ 5·—			2,580	—		
5% „ „ „ 1918 „ „ 10·—			1,180	—		
Total pieces 11.306			19,736	—		
XV. Discounted Bills.						
Balance on 1 I 1924	15,559,670	82	4,154,070	76	19,713,741	58
Discounted in 1924	102,762,009	31	31,658,323	52	134,420,332	83
	118,321,680	13	35,812,394	28	154,134,074	41
Redeemed in 1924	91,215,002	69	26,665,702	45	117,880,705	14
Balance on 31 XII 1924	27,106,677	44	9,146,691	83	36,253,369	27
Interest received	1,579,680	48	596,644	91	2,176,325	39
Commission received	34,458	12	23,631	54	58,089	66
	1,614,138	60	620,276	45	2,234,415	05

	Head Office	Branches	Total
XVI. Discounted Bills with Corresp.			
Balance on 1 I 1924	144,267 12	181,619 01	325,886 13
Sent in 1924	6,121,986 34	4,792,373 37	10,914,359 71
	6,266,253 46	4,973,992 38	11,240,245 84
Redeemed and returned	6,027,089 81	4,559,637 94	10,586,727 75
Balance on 31 XII 1924	239,163 65	414,354 44	653,518 09
XVII. Discounted Commerc. Securities.			
Balance on 1 I 1924.	98,688 08	— —	98,688 08
Discounted in 1924	388 —	— —	388 —
	99,076 08	— —	99,076 08
Redeemed and transferred to other accounts in 1924	99,076 08	— —	99,076 08
Balance on 31 XII 1924	— —	— —	— —
XVIII. Special Current Accounts.			
a) Secured by Bills.			
Balance on 1 I 1924	1,780,268 11	1,233,361 85	3,013,629 96
Paid out in 1924	12,612,407 54	7,184,349 09	19,796,756 63
	14,392,675 65	8,417,710 94	22,810,386 59
Refunded in 1924	8,861,737 91	4,887,977 38	13,749,715 29
Balance on 31 XII 1924	5,530,937 74	3,529,733 56	9,060,671 30
Interest received	308,896 08	165,608 15	474,504 23
Commission received	3,027 17	10,391 22	13,418 39
	311,923 25	175,999 37	487,922 62
b) Covered by various securities.			
Balance on 1 I 1924	2,950,897 55	200,490 83	3,151,388 38
Paid out in 1924	6,558,647 51	727,511 35	7,286,158 86
	9,509,545 06	928,002 18	10,437,547 24
Repaid in 1924	2,979,617 94	358,459 60	3,338,077 54
Balance on 31 XII 1924	6,529,927 12	569,542 58	7,099,469 70
Interest received	472,981 27	49,577 47	522,558 74
Commission received	31,906 50	1,750 72	33,657 22
	504,887 77	51,328 19	556,215 96

	Head Office	Branches	Total
c) Covered by industrial and agricultural plant.			
Paid out in 1924	4,058,019 97	4,345,467 19	8,403,487 16
Repaid in 1924	501,141 16	750,730 90	1,251,872 06
Balance on 31 XII 1924	3,556,878 81	3,594,736 29	7,151,615 10
Interest received	141,785 55	156,018 28	297,803 83
Commission received	233 99	1,140 19	1,374 18
	142,019 54	157,158 47	299,178 01
d) Covered by goods.			
Balance on 1 I 1924	4,175,680 42	1,549,526 73	5,725,207 15
Paid out in 1924	15,453,022 89	7,425,430 96	22,878,453 85
	19,628,703 31	8,974,957 69	28,603,661 —
Refunded in 1924	11,002,072 23	4,006,139 45	15,008,211 68
Balance on 31 XII 1924	8,626,631 08	4,968,818 24	13,595,449 32
Interest received	604,222 61	260,362 07	864,584 68
Commission received	76,822 52	44,757 37	121,579 89
	681,045 13	305,119 44	986,164 57
e) Covered by documents for goods.			
Balance on 1 I 1924	271,129 12	211,395 08	482,524 20
Paid out in 1924	3,871,864 88	3,155,977 06	7,027,841 94
	4,142,994 —	3,367,372 14	7,510,366 14
Refunded in 1924	3,335,598 04	3,241,878 83	6,577,476 87
Balance on 31 XII 1924	807,395 96	125,493 31	932,889 27
Interest received	84,809 22	18,926 95	103,736 17
Commission received	7,086 69	7,245 31	14,332 —
	91,895 91	26,172 26	118,068 17
XIX. Loans.			
a) Against bonds and other securities.			
Balance on 1 I 1924	2,972,016 74	89,264 —	3,061,280 74
Afforded in 1924	6,136,295 83	922,880 —	7,059,175 83
Transport	9,108,312 57	1,012,144 —	10,120,456 57

	Head Office	Branches	Total
Transport	9,108,312 57	1,012,144 —	10,120,456 57
Refunded in 1924	1,253,481 29	414,440 03	1,667,921 32
Balance on 31 XII 1924	7,854,831 28	597,703 97	8,452,535 25
Interest received	487,198 55	39,780 44	526,978 99
Commission received	123,732 90	115 95	123,848 85
	610,931 45	39,896 39	650,827 84
b) Against industrial and agricultural plant.			
Balance on 1 I 1924	527,740 —	190,404 34	718,144 34
Afforded in 1924	1,033,182 64	807,497 21	1,840,679 85
	1,560,922 64	997,901 55	2,558,824 19
Refunded in 1924	411,581 21	654,358 91	1,065,940 12
Balance on 31 XII 1924	1,149,341 43	343,542 64	1,492,884 07
Interest received	98,451 27	31,990 11	130,441 38
Commission received	190 46	1,743 54	1,934 —
	98,641 73	33,733 65	132,375 38
c) Against goods.			
Balance on 1 I 1924	961,288 98	2,000 —	963,288 98
Afforded in 1924	847,133 44	110,015 88	957,149 32
	1,808,422 42	112,015 88	1,920,438 30
Refunded in 1924	1,436,238 42	65,981 88	1,502,220 30
Balance on 31 XII 1924	372,184 —	46,034 —	418,218 —
Interest received	68,939 06	3,475 32	72,414 38
Commission received	3 69	699 40	703 09
	68,942 75	4,174 72	73,117 47
d) Against documents covering goods or warrants.			
Balance on 1 I 1924	129,692 —	— —	129,692 —
Afforded in 1924	— —	3,000 —	3,000 —
	129,692 —	3,000 —	132,692 —
Refunded in 1924	129,692 —	3,000 —	132,692 —
Balance on 31 XII 1924	— —	— —	— —
Interest received	2,440 94	16 67	2,457 61
Commission received	— —	30 —	30 —
	2,440 94	46 67	2,487 61

	Head Office		Branches		Total	
XX. Advances against documents.						
Balance on 1st January 1924 . . .	—	—	208,420	33	208,420	33
Advances in 1924	—	—	187,351	88	187,351	88
Balance on 31 XII 1924	—	—	21,068	45	21,068	45
Interest received	—	—	1,367	37	1,367	37
Commission received	—	—	320	98	320	98
XXI. Accreditives on Goods.	—	—	1,688	35	1,688	35
Balance on 1st January 1924 . Cred.	1,291,352	10	—	—	1,291,352	10
Opened in 1924 . . . . . Deb.	—	—	4,272	60	4,272	60
					1,287,079	50
Afforded in 1924	44,919,499	75	1,314,502	78	46,234,002	53
	46,210,851	85	1,310,230	18	47,521,082	03
Refunded in 1924	35,013,140	36	977,989	14	35,991,129	50
Balance on 31 XII 1924	11,197,711	49	332,241	04	11,529,952	53
Interest received	471,430	82	13,904	08	485,334	90
Commission received	208,531	41	5,277	86	213,809	27
XXII. Accounts with Correspondents "Nostro".	679,962	23	19,181	94	699,144	17
Balance on 1st January 1924 in favour of Latvijas Banka	46,918,530	64	—	—	46,918,530	64
In favour of Correspondents	3,471	73	—	—	3,471	73
Credit balance in favour of Latv. Banka	46,915,058	91	—	—	46,915,058	91
Correspondents received in 1924 . .	272,892,539	52	—	—	272,892,539	52
	319,807,598	43	—	—	319,807,598	43
„ paid out „ 1924 . .	278,987,949	04	—	—	278,987,949	04
Balance on 31 XII 1924	40,819,649	39	—	—	40,819,649	39
In favour of Latvijas Banka	40,819,649	39	—	—	40,819,649	39
In favour of Correspondents	—	—	—	—	—	—
	40,819,649	39	—	—	40,819,649	39
Interest paid	1,600	87	—	—	1,600	87
Interest received	1,083,182	83	—	—	1,083,182	83
Profit on foreign currencies	2,631,881	—	—	—	2,631,881	—

	Head Office	Branches	Total
XXIII. Accounts with Corresp. "Loro".			
Balance on 1st January, 1924:			
In favour of Correspondents	206,351 08	— —	206,351 08
In favour of Latvijas Banka	3,540 50	— —	3,540 50
In favour of Correspondents	202,810 58	— —	202,810 58
Received from Correspondents in 1924	4,664,029 60	— —	4,664,029 60
	4,866,840 18	— —	4,866,840 18
Remitted to Correspondents in 1924	4,488,978 83	— —	4,488,978 83
Balance on 31st December, 1924 . .	377,861 35	— —	377,861 35
Balance in favour of Correspondents .	378,891 85	— —	378,891 85
Balance in favour of Latvijas Banka .	1,030 50	— —	1,030 50
Balance remaining in favour of Coresp.	377,861 35	— —	377,861 35
Interest received	2,871 47	— —	2,871 47
Interest paid	14,035 26	— —	14,035 26
XXIV. Collections.			
a) Bills collected.			
Balance on 1 I 1924	279,350 96	444,311 42	723,662 38
Entered in 1924	10,738,165 02	17,544,511 09	28,282,676 11
	11,017,515 98	17,988,822 51	29,006,338 49
Redeemed in 1924	9,035,111 62	16,695,439 70	25,730,551 32
Balance on 1 I 1924	1,982,404 36	1,293,382 81	3,275,787 17
b) Documents collected.			
Balance on 1 I 1924	631,736 48	51,240 65	682,977 13
Entered in 1924	5,605,506 16	1,794,509 58	7,400,015 74
	6,237,242 64	1,845,750 23	8,082,992 87
Redeemed in 1924	5,702,083 70	1,699,772 38	7,401,856 08
Balance on 31 XII 1924	535,158 94	145,977 85	681,136 79
c) Bills sent to Correspondents and Branches.			
Balance on 1 I 1924	161,503 74	19,121 89	180,625 63
Transmitted in 1924	6,733,991 82	896,726 82	7,630,718 64
Transport	6,895,495 56	915,848 71	7,811,344 27

	Head Office	Branches	Total
Transport	6,895,495 56	915,848 71	7,811,344 27
Redeemed in 1924	6,235,842 90	826,626 78	7,062,469 68
Balance on 31 XII 1924	659,652 66	89,221 93	748,874 59
d) Documents sent to Correspondents and Branches			
Balance on 1 I 1924	168,100 22	637 —	168,737 22
Transmitted in 1924	1,491,627 74	606,869 25	2,098,496 99
	1,659,727 96	607,506 25	2,267,234 21
Redeemed in 1924.	1,611,372 93	577,774 89	2,189,147 82
Balance on 31 XII 1924	48,355 03	29,731 36	78,086 39
e) Collections Creditors.			
Balance on 1 I 1924.	1,240,691 40	515,310 96	1,756,002 36
Received doc. for collect. in 1924 . .	24,559,169 98	20,821,392 44	45,380,562 42
	25,799,861 38	21,336,703 40	47,136,564 78
Redeemed in 1924.	22,574,290 39	19,778,389 45	42,352,679 84
Balance on 31 XII 1924	3,225,570 99	1,558,313 95	4,783,884 94
Rec. Commission on these transactions	33,453 40	12,917 68	46,371 08
XXV. Movables.			
Balance on 1 I 1924	64,718 46	70,604 51	135,322 97
Acquisitions in 1924	76,041 34	21,568 51	97,609 85
	140,759 80	92,173 02	232,932 82
Written off 1924	19,923 87	17,760 86	37,684 73
Balance on 31 XII 1924	120,835 93	74,412 16	195,248 09
XXVI. Real Property.			
Balance on 1 I 1924	— —	10,910 80	10,910 80
Acquisitions in 1924	— —	83,082 22	83,082 22
	— —	93,993 02	93,993 02
Amortisation written off for 1924 . .	— —	4,699 66	4,699 66
Balance on 31 XII 1923	— —	89,293 36	89,293 36

	Head Office	Branches	Total
XXVII. Protested Bills.			
Balance on 1 I 1924.	30,565 58	1,095 40	31,660 98
Protested in 1924	415,394 11	75,924 87	491,318 98
	445,959 69	77,020 27	522,979 96
Redeemed in 1924.	445,595 69	76,883 27	522,478 96
Balance on 31 XII 1924	364 —	137 —	501 —
Loss on protested bills.	182,020 86	20,076 02	202,096 88
XXVIII. Transitory Values.			
Balance on 1 I 1924.	1,734,927 36	1,271,707 80	3,006,635 16
Received in 1924	17,808,060 20	2,824,561 70	20,632,621 90
	19,542,987 56	4,096,269 50	23,639,257 06
Disbursed.	14,148,980 11	2,925,290 90	17,074,271 01
Balance on 31 XII 1924	5,394,007 45	1,170,978 60	6,564,986 05
XXIX. Disbursements to be refunded.			
Balance on 1 I 1924.	6,196 59	874 62	7,071 21
Disbursed in 1924.	31,325 87	29,320 46	60,646 33
	37,522 46	30,195 08	67,717 54
Refunded in 1924	31,629 27	28,631 72	60,260 99
Balance on 31 XII 1924	5,893 19	1,563 36	7,456 55
XXX. Special current accounts secured.			
Balance on 1 I 1924.	12,714,947 —	3,949,768 80	16,664,715 80
Paid in to a./c. in 1924	59,328,234 37	29,819,065 35	89,147,299 72
	72,043,181 37	33,768,834 15	105,812,015 52
Paid out in 1924	35,356,028 48	15,184,264 32	50,540,292 80
Balance on 31 XII 1924	36,687,152 89	18,584,569 83	55,271,722 72

	Head Office	Branches	Total
XXXI. Spec. current accounts secured by Bills bearing two signatures.			
Balance on 1 I 1924	2,371,347 87	501,305 40	2,872,653 27
Paid in to a./c. in 1924	19,374,890 95	8,977,170 74	28,352,061 69
	21,746,238 82	9,478,476 14	31,224,714 96
Paid out in 1924	14,757,798 88	5,241,315 62	19,999,114 50
Balance on 31 XII 1924	6,988,439 94	4,237,160 52	11,225,600 46
XXXII. Securities against advances and accreditives granted.			
Balance on 1 I 1924	3,830,045 67	2,800 —	3,832,845 67
Received in 1924	54,805,674 99	1,451,248 66	56,256,923 65
	58,635,720 66	1,454,048 66	60,089,769 32
Refunded in 1924	33,711,489 12	948,973 40	34,660,462 52
Balance on 31 I 1924	24,924,231 54	505,075 26	25,429,306 80
XXXIII. Bill Deposits.			
Balance on 1 I 1924	13,478,350 72	286,360 —	13,764,710 72
Received in 1924	36,000,378 94	15,614,114 80	51,614,493 74
	49,478,729 66	15,900,474 80	65,379,204 46
Refunded in 1924	20,416,769 66	3,529,820 60	23,946,590 26
Balance on 31 XII 1924	29,061,960 —	12,370,654 20	41,432,614 20
XXXIV. Debitors for guaranties.			
Securities granted in 1924	1,031,668 71	— —	1,031,668 71
„ cancelled in 1924	953,740 71	— —	953,740 71
Balance on 31 XII 1924	77,928 —	— —	77,928 —
XXXV. Banknotes in circulation.			
Balance on 1 I 1924	23,000,000 —	— —	23,000,000 —
Issued in 1924	11,891,500 —	— —	11,891,500 —
	34,891,500 —	— —	34,891,500 —
Withdrawn in 1924	3,984,500 —	— —	3,984,500 —
Balance on 31 XII 1924	30,907,000 —	— —	30,907,000 —

	Head Office		Branches		Total	
XXXVI. Deposits.						
a) Terminated.						
Balance on 1 I 1924	250,294	50	53,689	41	303,983	91
Paid in in 1924	2,277,386	16	60,621	32	2,338,007	48
	2,527,680	66	114,310	73	2,641,991	39
Paid out in 1924	111,860	30	29,528	48	141,388	78
Balance on 31 XII 1924	2,415,820	36	84,782	25	2,500,602	61
Paid interest on these	60,190	30	3,799	06	63,989	36
b) Unterminated (saving booklets).						
Balance on 1 I 1924	685,046	03	963,241	26	1,648,287	29
Paid in in 1924	1,488,107	07	1,376,256	21	2,864,363	28
	2,173,153	10	2,339,497	47	4,512,650	57
Paid out in 1924	980,243	55	1,028,818	43	2,009,061	98
Balance on 31 XII 1924	1,192,909	55	1,310,679	04	2,503,588	59
Paid interest on these	48,247	79	52,075	42	100,323	21
c) Bearing no interest and not terminated.						
Balance on 1 I 1924	—	—	65,415	89	65,415	89
Paid in in 1924	—	—	558,682	85	558,682	85
	—	—	624,098	74	624,098	74
Paid out in 1924	—	—	560,136	79	560,136	79
Balance on 31 XII 1924	—	—	63,961	95	63,961	95
XXXVII. Accounts Current.						
a) Ordinary current accounts (bearing interest).						
Balance on 1 I 1924	20,618,954	36	2,155,324	44	22,774,278	80
Paid in in 1924	322,312,727	56	91,230,109	67	413,542,837	23
	342,931,681	92	93,385,434	11	436,317,116	03
Paid out in 1924	309,599,766	90	90,010,037	92	399,609,804	82
Balance on 31 XII 1924	33,331,915	02	3,375,396	19	36,707,311	21
Paid interest on these	1,143,232	15	88,586	50	1,231,818	65

	Head Office	Branches	Total
b) Current accounts bearing no interest.			
Balance on 1 I 1924	415,196 85	455,835 33	871,032 18
Paid in in 1924	7,561,861 18	12,458,906 56	20,020,767 74
	7,977,058 03	12,914,741 89	20,891,799 92
Paid out in 1924	7,057,680 59	12,241,309 32	19,298,989 91
Balance on 31 XII 1924	919,377 44	673,432 57	1,592,810 01
c) Current accounts in foreign currency.			
Balance on 1 I 1924	15,807,208 98	36,456 17	15,843,665 15
Paid in in 1924	37,652,732 23	1,070,039 17	38,722,771 40
	53,459,941 21	1,106,495 34	54,566,436 55
Paid out in 1924	49,355,075 37	1,079,360 56	50,434,435 93
Balance on 31 XII 1924	4,104,865 84	27,134 78	4,132,000 62
Paid interest	103,861 55	69 94	103,931 49
Loss on foreign currency	133,853 29	1,694 33	135,547 62
XXXVIII. Transfers.			
a) Inward, not paid out.			
Balance on 1 I 1924	9,567 69	21,636 24	31,203 93
Transferred during the year	1,115,621 12	3,404,025 31	4,519,646 43
	1,125,188 81	3,425,661 55	4,550,850 36
Paid out during the year	1,114,363 25	3,407,834 70	4,522,197 95
Balance on 31 XII 1924	10,825 56	17,826 85	28,652 41
b) Outward, not paid out.			
Balance on 1 I 1924	13,799 48	— —	13,799 48
Transferred during the year	1,104,836 18	— —	1,104,836 18
	1,118,635 66	— —	1,118,635 66
Paid out during the year	1,108,166 76	— —	1,108,166 76
Balance on 31 XII 1924	10,468 90	— —	10,468 90

c) Payments ordered.	Head Office		Branches		Total	
Balance on 1 I 1924	92,057	55	—	—	92,057	55
Ordered during the year	3,728,711	17	48,793	54	3,777,504	71
	3,820,768	72	48,793	54	3,869,562	26
Paid out during the year	3,757,421	03	48,793	54	3,806,214	57
Balance on 31 XII 1924	63,347	69	—	—	63,347	69
XXXIX. Head Office & Branches.						
Balance on 1 I 1924:						
Liabilities of Branches to the Head Office	11,712,984	15	—	—	—	—
With the Branches Assets of the Head „	—	—	11,712,984	15	—	—
During the year 1924:						
With the Head Office Branches were debited for	130,170,655	63	—	—	—	—
With the Branches the Head Office was credited for	—	—	129,454,855	49	—	—
During the year 1924:	141,883,639	78	141,167,839	64	—	—
With the Head Office Branches were credited for	116,037,509	94	—	—	—	—
With the Branches the Head Office was debited for	—	—	115,321,709	80	—	—
Balance on 31 XII 1924:						
With the Head Office, Branches were debited for	25,846,129	84	—	—	—	—
With the Branches the Head Office was credited for	—	—	25,846,129	84	—	—
XL. Guaranties.						
Given guaranties in 1924	1,031,668	71	—	—	1,031,668	71
Cancelled „ „ 1924	953,740	71	—	—	953,740	71
Balance on 31 XII 1924	77,928	—	—	—	77,928	—
XLI. Various Persons and Institutions.						
Balance on 1 I 1924	54,614	04	201,963	14	256,577	18
Paid in in 1924	5,011,091	56	35,907,088	84	40,918,180	40
	5,065,705	60	36,109,051	98	41,174,757	58
Paid out in 1924	5,172,513	18	35,891,607	93	41,064,121	11
Balance on 31 XII 1924 . . . Deb.	106,807	58	—	—	106,807	58
Balance on 31 XII 1924 . . . Cred.	—	—	217,444	05	217,444	05

	Head Office	Branches	Total
XLII. Transitory sums.			
Balance on 1 I 1924	3,799,199 08	87,056 65	3,886,255 73
Entered during the year 1924 . . .	255,786,946 52	2,754,023 08	258,540,969 60
	259,586,145 60	2,841,079 73	262,427,225 33
Paid out during the year	256,084,019 84	2,907,199 71	258,991,219 55
Balance on 31 XII 1924 . . . Cred.	3,502,125 76	— —	3,502,125 76
Balance on 31 XII 1924 . . . Deb.	— —	66,119 98	66,119 98
XLIII. Interest received in advance.			
Received in 1924	753,083 42	144,983 54	898,066 96
Repaid in 1924	774 90	101 11	876 01
Balance on 31 XII 1924	752,308 52	144,882 43	897,190 95
XLIV. Government taxes and duties.			
Received in 1924	68,511 70	7,973 32	76,485 02
Tranferred to income of Government	68,511 70	7,973 32	76,485 02
Balance on 31 XII 1924	— —	— —	— —
XLV. Various securities committers a/c.			
Balance on 1 I 1924	32,394,691 26	4,740,234 20	37,134,925 46
Received securities in 1924	163,863,094 08	53,266,694 07	217,129,788 15
	196,257,785 34	58,006,928 27	254,264,713 61
Paid out during the year	98,596,000 97	22,309,468 46	120,905,469 43
Balance on 31 XII 1924	97,661,784 37	35,697,459 81	133,359,244 18
XLVI. Transitory committers a/c.			
Balance on 1 I 1924	1,734,927 36	1,271,707 80	3,006,635 16
Entered during the year	17,808,060 20	2,820,291 32	20,628,351 52
	19,542,987 56	4,091,999 12	23,634,986 68
Paid out during the year	14,148,980 11	2,921,020 52	17,070,000 63
Balance on 31 XII 1924	5,394,007 45	1,170,978 60	6,564,986 05

XLVII. State Accounts.

	Head Office		Branches		Total	
a) Expenditure.						
Balance on 1 I 1924	131,123,224	23	—	—	131,123,224	23
Expenditure during the year	197,624,420	83	1,313,423	43	198,937,844	26
	328,747,645	06	1,313,423	43	330,061,068	49
Refunded and transferred in 1924	193,736,689	75	1,313,423	43	195,050,113	18
Balance on 31 XII 1924	135,010,955	31	—	—	135,010,955	31
b) Revenue.						
Balance on 1 I 1924	150,213,213	55	—	—	150,213,213	55
Received in 1924	280,585,367	53	29,978,404	82	310,563,772	35
	430,798,581	08	29,978,404	82	460,776,985	90
Refunded and transferred in 1924	277,208,874	61	29,978,404	82	307,187,279	43
Balance on 31 XII 1924	153,589,706	47	—	—	153,589,706	47
c) Deposits and special resources.						
Balance on 1 I 1924	19,597,305	01	909,493	01	20,506,798	02
Entered during the year	76,698,252	09	1,361,746	46	78,059,998	55
	96,295,557	10	2,271,239	47	98,566,796	57
Paid out during the year	34,951,770	98	1,292,796	78	36,244,567	76
Balance on 31 XII 1924	61,343,786	12	978,442	69	62,322,228	81

PROFIT AND LOSS ACCOUNT

1924.

Debet. **Profit and**

	Head Office		Branches		Total	
Paid:						
Interest on terminated deposits . . .	60,190	30	3,799	06	63,989	36
„ „ untermin. „ . . .	48,247	79	52,075	42	100,323	21
„ „ current a/c.	1,143,232	15	88,586	50	1,231,818	65
„ „ „ „ in foreign curr.	103,861	55	69	94	103,931	49
„ „ „ „ of corresp. . .	15,636	13	—	—	15,636	13
Current expenditure:						
Fees to the members of the Council	56,440	—	—	—	56,440	—
Fees to the Administration	69,437	50	—	—	69,437	50
Salaries to Officials and servants . .	565,438	66	471,240	61	1,036,679	27
Compensation to officials in connect. with appoint. and transfers	1,280	—	1,115	—	2,395	—
Fees to members of the Discount Committee	9,603	—	12,921	—	22,524	—
Stationery	103,719	96	17,187	73	120,907	69
Administrative and travelling expenses	6,467	85	8,065	90	14,533	75
Household expenses	133,262	40	61,336	93	194,599	33
Printing and issue of lat notes . . .	67,199	43	—	—	67,199	43
Movables and immovables written off	14,788	19	18,595	94	33,384	13
Loss on precious metals	29,692	14	—	—	29,692	14
Loss on foreign current-account . . .	133,853	29	1,694	33	135,547	62
Loss on protested bills	182,020	86	20,076	02	202,096	88
Loss on sundries	157,343	25	20,802	68	178,145	93
Transferred on active operations securities fund	1,000,000	—	—	—	1,000,000	—
	3,901,714	45	777,567	06	4,679,281	51
Total net profit of the Bank	4,839,167	97	759,184	79	5,598,352	76
	8,740,882	42	1,536,751	85	10,277,634	27

Loss Account. *Credit.*

	Head Office		Branches		Total	
Received:						
Interest on discounted Bills	1,579,680	48	596,644	91	2,176,325	39
„ „ special current a/c	1,612,694	73	650,492	92	2,263,187	65
„ „ terminated loans	657,029	82	76,629	91	733,659	73
„ „ accreditives	471,430	82	13,904	08	485,334	90
„ „ a/c. of correspondents	1,086,054	30	—	—	1,086,054	30
„ „ sundries	2,440	31	1,324	09	3,764	40
Commission on transactions in foreign currency	16,417	21	21,608	77	38,025	98
Commission on discounted Bills	34,458	12	23,631	54	58,089	66
„ „ special current a/c	119,076	87	65,284	81	184,361	68
„ „ terminated loans	123,927	05	2,909	87	126,836	92
„ „ accreditives	208,531	41	5,277	86	213,809	27
„ „ Collections	33,453	40	12,917	68	46,371	08
„ „ inward transfers	2,267	41	5,140	76	7,408	17
„ „ outward transfers	16,745	92	5,253	88	21,999	80
„ „ sundries	24,697	19	29,022	32	53,719	51
Profit on gold specie	25,931	11	1,725	76	27,656	87
„ „ silver specie	17,355	82	848	73	18,204	55
„ „ precious metals	70,084	42	14,372	50	84,456	92
„ „ foreign currency and drafts	2,631,214	32	—	—	2,631,214	32
„ „ bonds	3,386	59	1,247	85	4,634	44
„ „ sundries	4,005	12	8,513	61	12,518	73
	8,740,882	42	1,536,751	85	10,277,634	27

BALANCE SHEET

31st DECEMBER, 1924.

Assets.

Balance Sheet 1st

	Head Office	Branches	Total
Cash	4,990,797 61	8,129,460 47	13,120,258 08
Gold specie	901,940 60	23,948 50	925,889 10
Silver specie	101 83	3,500 55	3,602 38
Precious metals	7,931,900 80	— —	7,931,900 80
Precious metals depos. by the Exchequ.	14,732,937 76	— —	14,732,937 76
Foreign currency	318,120 28	65,101 —	383,221 28
Money in transit	6,180 30	— —	6,180 30
Foreign Drafts	— —	804 80	804 80
Foreign Drafts with correspondents	6,102,102 97	1,986 02	6,104,088 99
Post cheques	442,411 64	574,089 09	1,016,500 73
Bonds	33,398 50	19,736 —	53,134 50
Discounted Bills	27,106,677 44	9,146,691 83	36,253,369 27
Discounted Bills with corresp.	239,163 65	414,354 44	653,518 09
Spec. current a/c. secured by Bills	5,530,937 74	3,529,733 56	9,060,671 30
„ „ „ by bonds & other oblig.	6,529,927 12	569,542 58	7,099,469 70
„ „ „ by agric. and ind. plant	3,556,878 81	3,594,736 29	7,151,615 10
„ „ „ by goods	8,626,631 08	4,968,818 24	13,595,449 32
„ „ „ by documents	807,395 96	125,493 31	932,889 27
Terminat. loans ag. bonds & other oblig.	7,854,831 28	597,703 97	8,452,535 25
„ „ „ agric. & industr. plant	1,149,341 43	343,542 64	1,492,884 07
„ „ „ goods	372,184 —	46,034 —	418,218 —
Advances ag. documents	— —	21,068 45	21,068 45
Accreditives	11,197,711 49	332,241 04	11,529,952 53
Correspondents a/c. "Nostro"	40,819,649 39	— —	40,819,649 39
Bills for Collection	1,982,404 36	1,293,382 81	3,275,787 17
Documents for Collection	535,158 94	145,977 85	681,136 79
Bills with Correspondents	659,652 66	89,221 93	748,874 59
Documents with Correspondents	48,355 03	29,731 36	78,086 39
Inventory	120,835 93	74,412 16	195,248 09
Real property	— —	89,293 36	89,293 36
Protested Bills	364 —	137 —	501 —
Transitory values	5,394,007 45	1,170,978 60	6,564,986 05
Disbursements to be refunded	5,893 19	1,563 36	7,456 55
Spec. current a/c. secured	36,687,152 89	18,584,569 83	55,271,722 72
Spec. current a/c. secured by Bills bearing two signatures	6,988,439 94	4,237,160 52	11,225,600 46
Securities for advances and accred.	24,924,231 54	505,075 26	25,429,306 80
Bills deposited	29,061,960 —	12,370,654 20	41,432,614 20
Delivered warrants debtors	77.928 —	— —	77,928 —
Branches	25,846,129 84	— —	25,846,129 84
Various persons and institutions	106,807 58	— —	106,807 58
Transitory sums	— —	66,119 98	66,119 98
State expenses	135,010,955 31	— —	135,010,955 31
	416,701,498 34	71,166,865 —	487,868,363 34

Chief bookkeeper: (sig.) *E. Lacis.*

January, 1925. *Liabilities.*

	Head Office		Branches		Total	
Capital fully paid up	10,259,656	97	—	—	10,259,656	97
Reserve funds	961,879	22	—	—	961,879	22
The Bank's active operat. securities fund	1,000,000	—	—	—	1,000,000	—
Banknotes issued	30,907,000	—	—	—	30,907,000	—
Deposits terminated	2,415,820	36	84,782	25	2,500,602	61
Deposits unterminated	1,192,909	55	1,310,679	04	2,503,588	59
Depos. unterm. not bearing interest	—	—	63,961	95	63,961	95
Current accounts	33,331,915	02	3,375,396	19	36,707,311	21
„ „ not bearing interest	919,377	44	673,432	57	1,592,810	01
„ „ in foreign currency	4,104,865	84	27,134	78	4,132,000	62
Inland transfers not paid out	10,825	56	17,826	85	28,652	41
Outward „ „ „ „	10,468	90	—	—	10,468	90
Payments ordered	63,347	69	—	—	63,347	69
Head Office a/c.	—	—	25,846,129	84	25,846,129	84
Delivered warrants	77,928	—	—	—	77,928	—
Collection Creditors	3,225,570	99	1,558,313	95	4,783,884	94
Various persons & institut. a/c.	—	—	217,444	05	217,444	05
Transitory sums	3,502,125	76	—	—	3,502,125	76
Interest recd. in advance	752,308	52	144,882	43	897,190	95
Various securities from committers	97,661,784	37	35,697,459	81	133,359,244	18
Transitory values „ „	5,394,007	45	1,170,978	60	6,564,986	05
State Revenue	153,589,706	47	—	—	153,589,706	47
Deposits of the Exchequer	61,343,786	12	978,442	69	62,322,228	81
Correspondents a/c. "Loro"	377,861	35	—	—	377,861	35
Profit and Loss	5,598,352	76	—	—	5,598,352	76
	416,701,498	34	71,166,865	—	487,868,363	34

Director General: (signed) *E. Švēde.* Deputy Director General: *K. Vanags.*

Directors: *V. Bandrevičs, E. Ozoliņš, A. Varenais.*

Inference of the Revision Commission of the Latvijas Banka regarding the Report of the Bank for 1924.

The Revision Commission having verified the Report of the Bank, for the year 1924, the balance sheet with profit and loss account, and having checked the entries with the books and documents — have come to the conclusion, that the above mentioned Report and Balance sheet are correct and in conformity with the entries in the books.

Chairman of the Revision Commission of the Latvijas Banka
(signed) *J. Mengots.*
As Members (signed) *A. Kacens, Jānis Vītols.*

Riga, 21-st April, 1925.

Extract from the Minutes of the Meeting of the Council of the Latvijas Banka of April 22-nd, 1925, № 255.

The Director-General reads aloud the record of the Revision Commission regarding the activities of the Bank, and the closing balance on December 31-st, 1924, which were found correct, and the Report for 1924 in accordance with the entries in the books and with the documents.

The Council decides to confirm the Report of the Bank, resulting in a nett profit of Lats 5,598,352·76 and the balance sheet on 1-st January, 1925 with a total of Lats 487,868,363·34. Likewise the Council adopts the distribution of the nett profit, as proposed by the Administration of the Bank.

(Signatures.)

Latvia's Economic Position in 1924.

I. State Economy.

Among the factors deciding the development of economic life in Latvia, a leading part falls to its geographical situation. Our country is placed on the natural trade route between Europe and the East, and long before the great war, Russia, forwarding her goods to European centres and to America through our ports, including a great part of her imports, had chosen this way. Owing to that voluminous export and import trade, our ports of Riga, Liepāja (Libau) and Ventspils (Windau), became widely known and were well patronized. The brisk communication with Western Europe was beneficial to the then Russian border territory-our present Latvia, being conducive to her cultivation and economic development. Under these conditions our commercial fleet prospered and developed, likewise our commerce and industry, and last but not least our modern agriculture. Then our country became the scene of the great war, which proved very destructive to our interests, and after that war came to an end, Latvia, being declared independent, had to reconstruct all life anew.

Though only a few years have passed, since that time, we see our economic life improving everywhere by the unremitting toil and energy of the Latvian people, witness the renovation of husbandry and commerce and to the same extent also, its industry. We cannot yet boast of having reached our pre-war position, but most of the damages of the war are overcome, and from the ruins of our former prosperous economic life, young, vigorous branches and shoots are growing.

Let us contemplate the situation as indicated by figures:

Before the war, in accordance with the statistics of the Russian Ministry of Finance, the State returns of our coutry (in 1913) were as follows: Revenues about Ls 235,105,700·—, but Expenditure Ls 144,805,300·—, leaving a surplus of Ls 90,300,400·—

After the war, the expenditure has been greater than the revenues, so that as yet, we are not able to settle our State Budget definitely.

A comparison of the figures of our State Budget for the last three years is given in the following table (as per reports of the Credit Department).

	Lats 1922/23	Lats 1923/24	Lats 1924/25
Revenues:			
Ordinary	180,001,828	153,308,997	186,711,617
Extraordinary	12,822,240	20,538,500	14,594,190
Total . . .	192,824,068	173,847,497	201,305,807
Revenue of Credit operations & savings	17,711,718	14,627,040	11,700,281
Total . . .	210,535,786	188,474,537	213,006,088
Expenditure:			
Ordinary	147,623,565	134,672,721	153,122,902
Extraordinary	62,912,221	53,801,816	59,883,186
Total . . .	210,535,786	188,474,537	213,006,088

The budget for 1925/26 shows still increased returns extending to Lats 221,327,917·—. The cause is chiefly an additional expenditure for flats and family support for our officials.

Reviewing the budgets of the last years, as they have been actually employed, we see that economy has been observed and the figures are as follows:

	Roubl. 1921/22	Lats 1922/23	Lats 1923/24	Lats 1924/25
Revenues:				
Ordinary	6.694,823,021	206,020,400	193,990,945	215,679,564
Extraordinary . . .	997,266,322	3,591,009	14,967,741	
Total . . .	7,692,089,343	209,611,409	208,958,686	215,679,564
Expenditure:				
Ordinary	6,113,609,264	132,600,035	123,441,956	185,861,748
Extraordinary . . .	1,295,676,102	59,472,898	48,727,191	
Total . . .	7,409,285,366	192,072,933	172,169,147	185,861,748
Not used	282,803,977	17,538,476	36,789,539	29,817,816

Classified, the items of our 1924/25 year's budget present themselves as follows:

Revenue	Lats	%	Expenditure	Lats	%
Direct taxes	11,460,600	7·12	High Administration	2,364,469	1·47
Duties „	11,023,095	6·85	Foreign Office	2,261,010	1·40
Indirect „	73,518,269	45·68	Interior Safety	8,194,539	5·09
State domains and forests	14,746,823	9·16	Courts and prisons	5,293,988	3·29
State undertakings	12,030,203	7·47	Education	17,876,611	11·11
State monopolies	29,021,288	18·03	Social provision and labour protection	9,319,596	5·79
State Credit operations . . .	7,205,052	4·48	Health and Sanitary Depart.	2,414,042	1·50
Repayments, savings and other revenue	1,943,926	1·21	Economic supervision & furtherance	6,651,696	4·13
			Communications	10,098,365	6·28
			State Finances	4,076,264	2·53
			National Debt	2,572,246	1·60
			State investments	35,555,563	22·09
			Autonomous State undertakings	1,005,275	0·63
			Various expenditure	8,050,500	5·00
			States defence	45,215,092	28·09
Total Ls . . .	160,949,256	100·00	Total Ls . . .	160,949,256	100·00

The actual realization of the budgets of these last years shows that we have kept within the bounds drawn, even in some cases there have been savings, but on the whole, although in comparison to other small States, our expenditures are heavy, we hope to better this in the near future, when our economic circumstances have improved and then it will be possible to have a greater surplus.

Now let us contemplate singly the development of the various lines of our economic life, in the first place:

II. Husbandry in Latvia.

Agriculture holds the first place with us and the Latvian people have tilled the soil in times out of memory of man. When Latvia was declared independent after the war, the first thing to do was to devise the best means of assisting our husbandry, which had greatly suffered, the land and premises having been to a great extent destroyed by war activities and the ensuing revolution.

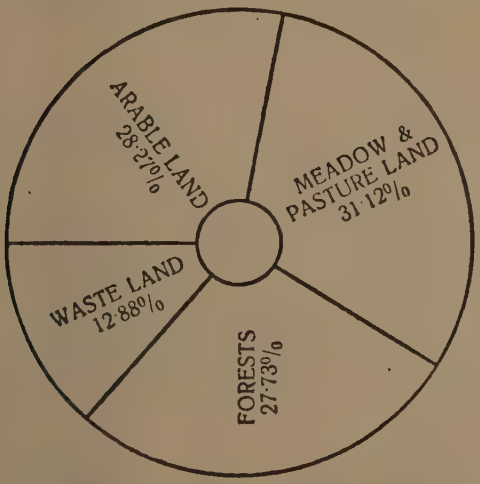
The square dimensions of Latvia are 65,791·1 square kilometres or 6,579,140 hect., of which 6,090,272·4 hectares belong to farming and forest culture (see J. Bokalder's "Farming in Latvia" 1924 and "Statistics for 1920, 1921, 1922 and 1923").

In regard to cultivation that area is utilized as follows:

Districts	Arable land		Orchards		Meadow land		Pasture land		Forests		Waste unculti-vated land		Total	
	hectares	%	hectares	%	hectares	%	hectares	%	hectares	%	hectares	%	hectares	%
Livonia . .	503,577·24	23·83	7,304·35	0·35	305,318·99	14·45	336,433·92	15·92	613,535·07	29·04	346,763·41	16·41	2,112,932·98	100·00
Courland .	325,707·87	24·56	2,582·02	0·19	191,089·88	14·41	172,231·21	12·99	511,597·20	38·58	122,987·05	9·27	1,326,195·23	100·00
Zemgallia .	433,313·81	34·38	5,149·84	0·41	141,663·92	11·24	163,418·28	12·96	356,956·85	28·32	160,035·25	12·69	1,260,537·95	100·00
Latgallia. .	414,866·96	29·83	5,925·43	0·43	158,520·58	11·40	197,576·94	14·21	298,297·05	21·45	315,419·31	22·68	1,390,606·27	100·00
Latvia . . .	1,677,465·88	27·54	20,961·64	0·35	796,593·37	13·08	869,660·35	14·27	1,780,386·17	29·24	945,205·02	15·52	6,090,272·43	100·00

The classification, as per above table is given by the statistics for the year 1923, and it may be mentioned that the whole area comes very near to our pre-war position.

The corresponding figures before the war were: arable land 1,729,628·25 hect., meadow and pasture land 1,904,203,94 hect., forests 1,696,751·38 hect. and waste land 787,652·54 hect., total 6,118,236·11 hect. of cultivated land, owned by our farmers.



Diagram, showing the cultivation of land before the war (%).

Diagram, showing the cultivation of land in 1923 (%).

The area of land utilized by our husbandry (arable land, orchards, meadow and pasture land) in 1923 was 3,364,681·24 hectares i. e. only a little more than half of all the land available for husbandry, which, comparatively speaking, is not a great exploitation. The remaining area includes forests and waste or uncultivated land. There is no doubt, that thanks to the agrarian reform, the area under cultivation will increase, as small farms are more interested in increasing the area of arable, meadow and pasture land, whereas in the case of our former landlords, who owned large estates, and played a leading part before the war, forest culture took the first place.

To illustrate the situation better, it must be said that in 1923 there were already registered 36,000 new small farms of a total area of about 500,000 hectares, of which more than 84% are fully cultivated land. In the present circumstances, the order of sequence of the various kinds of land is as follows: in the first place stands forest and undergrowth, then follows arable land, pasture land and lastly meadow land. As to waste land, its area has increased from 12·88% to 15·52%, which is partly a result of the war, by which several areas of land, formerly cultivated, have become waste, but partly also due to the fact that before the war there was not a strict registration of waste land. Inferior pasture land ought also to be registered as waste land. Most of our waste land lies in the district of Latgallia, as for instance the district of Rēzekne has 24·98% of waste land, Daugavpils 23,23% and Ludza 20·87%, i. e. nearly the fourth part of their whole area. The so-registered waste land consists chiefly of marshes and they constitute 9·13% of all land owned by our husbandry. The total area of marshland is shown in the table as under:

	hectares	% %
Livonia	546,443·97	9·61
Courland	172,310·90	4·83
Zemgallia	240,685·09	7·09
Latgallia	536,123·58	14·33
over all Latvia . .	1,495,563·54	9·12

The greater part of these marshes lies in districts under the administration of our Forest Department. Further we wish to show in which way and manner the utilized land has been distributed.

Before the time that Latvia became independent, the leaders of agricultural exploitation were the landlords, who owned large estates, the aggregate area of which was 3,015,846·30 hectares or 48·12% of all usable land, then followed our farmers, who owned 2,467,052·72 hect. or 39·36%, then State domains with 627,734.04 hect. or 10·02%, the remainder consisting of 156,768 hectares or 2·50% being apportioned for clerical living or other purposes. This proves that at that time extensive farming took the first place, whilst a great number of husbandmen were deprived of land for cultivation. Likewise this explains more clearly why only a little more than one half of all the usable land was cultivated.

With the effectiveness of the agrarian reform, the large estates were portioned out to so-called "new farmers" and thereby the area of really fertilized or tilled land, greatly increased. Very often these new farmers obtained land, never previously tilled, and being bound to cultivate the apportioned land rationally, it was very soon

to be observed that woodland, undergrowth and even marshland vanished, to be replaced by undulating cornfields and blooming meadows.

Until now the first place in our husbandry is held by the so-called "old farmers", who were already before the war established on their grounds.

The numbers of farms in 1923 are given in the table as under:

Districts	Old farmers	New farmers	Sundry farmers	Total
Livonia	28,915	12.749	3,094	44,758
Courland	16,984	10,412	2,129	29,525
Zemgallia	20,771	8,754	2,154	31,679
Latgallia	81,359	4,079	2,341	87,779
Latvia	148,029	35,994	9,718	193,741

To old farms belong all those farms which were established before the promulgation of the agrarian law, also the unexpropriated parts of the former manorial estates, unapportioned leasehold land and soldier's plots, whereas all the land apportioned by the State Land Fund, and not exceeding 27 hectares, is classed under the heading of new farms, including rural industrial enterprises, as horticultural land, mills, brick-yards etc.

The Central Committee of Land Organisation began the work of apportionment after 1920, and its activities are being extended every year, so that before long all the former manorial estates will be shared out into equal lots.

The development of the apportioning work of the State Land Fund is shown by the following table:

Districts	1920		1921		1922		1923		Total	
	Num.	hect.	Num.	hect.	Num.	hect.	Num.	hect.	Num.	hect.
Livonia	1,996	35,233,12	7,049	116,578,15	4,995	74,969,52	2,468	34,585,55	16,508	261,366,34
Courland	2,215	33,272,45	4,879	91,463,40	4,047	66,714,42	1,203	17,571,65	12,344	209,021,92
Zemgallia	2,579	39,206,90	3,931	64,101,45	3,040	46,132,08	1,116	15,824,85	10,666	165,265,28
Latgallia	1,447	16,178,10	2,973	60,610,20	3,465	50,916,11	3,049	37,542,66	10,934	165,247,07
Latvia	8,237	123,890,57	18,832	332,753,20	15,547	238,732,13	7,836	105,524,71	50,452	800,900,61

The following table shows the percentage of the apportioned land up to 1-st July 1923 respecting its area, the whole of the apportioned area being 561,987·22 hectares.

Districts	Up to 2 hectares	from 2—5 ha	from 5—10 ha	from 10—15 ha	from 15—20 ha	from 20—30 ha	Total
Livonia	8,72	5,33	5,51	17,67	31,43	31,34	100,00
Courland	1,55	3,63	5,80	13,97	43,38	31,67	100,00
Zemgallia	3,46	3,63	5,44	27,67	42,14	17,66	100,00
Latgallia	2,82	4,98	12,80	26,57	37,50	15,33	100,00
Latvia	4,70	4,39	6,42	20,04	38,17	26,28	100,00

The average area of the registered new farms is 15·90 hectares, with 13·43 hectares of fertile land for agriculture, arable land, with meadow land and pasture land prevailing, whereas the area of forest and waste land is comparatively small.

Formerly, regarding the large farms, it was just the reverse, and the proportions were as follows:

	Arable land	Meadow land	Pasture land	Forests	Waste land
Old farms	27·89%	13·08%	14·27%	29·24%	15·52%
New farms	48·25%	36·02%		15·73%	

This proves once more that by the agrarian reform the number of farms is greatly increasing, as also the tilled or fertilized land.

At the first glance it would seem, that, thanks to the agrarian reform, we shall ruin a most important part of our export and industry-our forests, but such is not the case, as under present conditions nearly $^1/_3$ of all the utilized farmers'land consists of forests (29.24%), which with rational farming, can be maintained. The new farms are of greater moment here, but their total area constitutes only 19% of the whole usable area of land. Admitting that, in time, the new farms will absorb even 25% of the total area, even then, there should be no real cause for alarm, as all the larger forests are assigned to the State Land Fund or owned by old farmers.

Then the question of rural building is of great importance to us. The war has made great devastations here, also the newly-apportioned farms are in want of buildings. To meet these wants our new farmers, as also the old farmers, whose premises were destroyed during the war, had to overcome great difficulties, as under the new conditions the cost of buildings has become excessively high, and almost impossible to manage with their own scanty means.

In this case the Government offered assistance to a great extent, and the sums allowed for that and other purposes were as follows: (in lats)

	Rebuilding	Acquisition of horses, inventory etc.	Total
Livonia	1,026,844	1,102,381	2,129,225
Courland	171,373	543,614	714,987
Zemgallia	979,358	1,567,605	2,546,963
Latgallia	129,450	563,319	692,769
Latvia	2,307,025	3,776,919	6,083,944

In accordance to statistics for the year 1920 there were registered 743,732 rural buildings, of which 104,576 or 14·06% were partly destroyed, and 78·278 or 10,53% wholly destroyed. All these were to be rebuilt, and in addition the indispensable premises for the new farms were to be erected.

The number of the newly apportioned farms not having any premises at all is given as under:

	Number	% %
Livonia	6,374	50·04
Courland . . .	4,932	47·37
Zemgallia . . .	4,415	50·43
Latgallia	1,426	34·98
Latvia . . .	17,147	47·66

From this it is seen that nearly half of the newly apportioned farms were without any premises. During the period from 1920 until July 1923 much has been done to remedy this, and the following table shows how far we have succeeded:

Districts	Dwelling houses				Stabling				Store rooms				Other buildings				Total			
	Old farms	New farms	Sundry	Total	Old farms	New farms	Sundry	Total	Old farms	New farms	Sundry	Total	Old farms	New farms	Sundry	Total	Old farms	New farms	Sundry	Total
Livonia	2809	1205	198	4212	4103	1449	227	5779	1434	348	53	1835	5852	829	175	6856	14198	3831	653	18682
Courland . . .	976	495	58	1529	1089	440	57	1586	416	77	10	503	1986	705	72	2763	4467	1717	197	6381
Zemgallia . . .	2687	960	174	3821	3457	991	142	4590	1003	195	16	1214	4661	769	120	5550	11808	2915	452	15175
Latgallia. . . .	7624	866	124	8614	5183	780	108	6071	2044	193	25	2262	6382	822	115	7319	21233	2661	372	24266
Latvia . .	14096	3526	554	18176	13832	3660	534	18026	4897	813	104	5814	18881	3125	482	22488	51706	11124	1674	64504

Of these buildings were constructed of wood:

44,279 buildings, owned by old farmers,
9887 „ „ „ new farmers and
1392 „ „ „ sundry others,

of brick or stone work:

4753 buildings, owned by old farmers
782 „ „ „ new farmers and
217 „ „ „ sundry others, and

of mixed construction:

2674 buildings, owned by old farmers,
455 „ „ „ new farmers and
65 „ „ „ sundry others.

Taking into account that, 17,147 new farms had been appropriated without any premises at all, the following table already gives a total of 11,124 various new buildings, as registered in summer 1923.

	Old farms	New farms	Sundry	Total
Livonia	182,882	15,927	13,441	212,250
Courland	74,623	12,451	7,648	94,722
Zemgallia	88,270	9,992	7,976	106,238
Latgallia	330,034	7,720	9,110	346,864
Latvia . .	675,809	46,090	38,175	760,074

Wee see that in 1923 the total of the registered rural buildings had increased by 16,342, with which are not reckoned the 104,576 buildings partly destroyed and 78.278 buildings utterly destroyed by the war, as abovementioned, the total of all newly-erected buildings being 64,504, as shown in the last table but one. Nevertheless we must admit that the average number of our rural buildings is as yet insufficient, as on comparing, we find that our 146,547 old farms have 675,809 various buildings i. e. 4·61 buildings fall to the average of one old farm, but with our 35,981 new farms, the total of their premises is only 46,090 i. e. 1·28 building to the average for one new farm.

Consequently on the part of our new farmers, great efforts must still be made.

As regards agricultural machinery and implements, many of these have been destroyed or have been lost during the war. Let us draw some parallels between the actual situation and that as registered in 1920, also, where possible, with the pre-war state.

In 1920 there were registered 229,177 rural vehicles, the number of sledges being a little smaller. In 1923 there were already registered 264,012 rural vehicles and in addition 256,880 sledges, the average being 1·36 vehicle for one farm, but for the new farms, 1·13 vehicle, which number may be considered as almost sufficient.

A parallel in respect to ploughs would very likely give the same result, only in this case it must be stated that the number of more primitive and less efficient ploughs is increasing much more rapidly, than the number of more complicated, but also more efficient ploughs.

The number of ploughs employed with us is given as under:

	1910	1920	1923
Livonia	91,997	95,149	104,680
Courland	110,656	53,480	62,641
Zemgallia		49,845	72,811
Latgallia	106,573	103,868	121,514
Latvia . . .	309,226	302,342	361,646

Of the ploughs registered in 1923, which already surpassed the pre-war number, there were 152,407 primitive swing ploughs, 182,735 single one-shared and 12,890 double-shared ploughs and 13,614 ploughs of various construction. Our new farmers own 17% of all the ploughs registered.

Also the number of harrows is rapidly increasing, as shown in the following table:

	1910	1920	1923
Livonia	99,757	78,605	113,451
Courland	112,470	40,347	60,330
Zemgallia		43,308	83,259
Latgallia	88,618	64,295	96,310
Latvia . . .	300,845	226,555	353,350

On the whole, by this time, our farmers may be considered as sufficiently supplied with the most indispensible agricultural implements, which already surpass

the pre-war number. Of all the harrows used 69·32% are of wooden frame with iron teeth and 24·27% with flexible teeth. Of these latter a great number are used, especially in Courland. Also our new farms are well provided with the necessary implements, which is partly due to the fact that our Land Organisation Committee always pays attention, as to what extent the applicants for land are provided with the necessary plant and live stock for tilling the soil to advantage. Of agricultural machines, the most used are reaping machines, though as yet, still insufficient in number.

Especially our new farmers are in great need of agricultural machinery.

In 1920 there were registered 11,671 mowing machines, but in 1923 their number was 16,027 and of these only 848 were owned by new farmers. The number of reaping machines in 1920 was nearly the same as that of mowers i. e. 11,032 reapers, but the increase until 1923 is less i. e. 14,113, of which latter only 1,012 are owned by new farmers.

The reason for the slower increase in number of the reaping machines is their higher price. Both kinds of machines are more used in Livonia and in that district nearly half of all our agricultural machinery is in use. The acquisition of new sowing machines is very slowly progressing. In 1920 their number amounted to 3522, but in 1923 the number was 3663 and of these 211 machines were owned by new farmers. This kind of machine is more in favour in Zemgallia. In the southern part of Courland hay and corn raking machines are used, also cultivators, thrashing machines, flax breakers, separators etc. but on the whole, the use of agricultural machinery is as yet rather limited, but with the development of our agriculture, machinery will become of greater moment and more machines will be demanded.

As per statistics for 1923, agricultural machines have been imported for Lats 7,385,368, of English, Dutch, Danish, Swedish, German and also American manufacture.

The rational cultivation of arable land is of great importance for our farmers. Owing to the pernicious consequences of the war, an extensive mode of cultivation is pursued here and the area of arable land is comparatively small. On the average, one old farm has 8·57 hectares of arable land, but a new farm, only 7·67 hectares.

Of all the arable land 64·88% is given to sowing, 16·43% to clover and fodder plants and 18·69% lies fallow.

Great areas of land were occupied by war activities and a great part of this land remained uncultivated, also there was a deficiency of hands, as the younger and stronger men took an active part in the war. Thanks only to the agrarian reform, it has been possible to apportion more equally, all the available land, to men who really wish to till the soil, and they are endeavouring to the utmost to transform the, for many years untilled land into waving corn fields. Until now, the success was very limited and we shall still have to wait some years before better results can be obtained.

Besides, the climatic conditions have been unfavourable for the last two years.

Notwithstanding all this, the area of sowing is continually increasing,

Sowing of:	Livonia						Courland					
	1920	1921	1922	1923	1924	Average 5 years	1920*)	1921	1922	1923	1924	Average 5 years
Rye	59·5	61·9	61·1	69·4	67·6	63·9	69·7	36·6	41·0	47·6	48·3	41·6
Wheat	5·3	—	10·7	14·4	13·0	9·6	9·3	—	7·0	9·8	9·7	7·1
Barley	47·2	48·9	49·6	52·6	51·5	50·0	39·8	20·8	23·3	28·0	29·2	24·2
Oats	91·2	98·5	104·2	110·3	109·6	102·8	89·1	54·6	59·0	69·0	80·4	61·4
Vetches	—	15·7	14·9	20·2	20·1	17·7	—	8·2	5·8	11·9	12·5	9·6
Peas	4·2	4·6	5·4	5·0	5·1	4·9	6·8	3·1	3·8	5·2	5·6	4·2
Potatoes	16·8	18·0	20·8	25·7	23·4	20·9	17·2	12·0	12·9	16·6	15·4	13·0
Flax	16·2	15·4	17·1	20·3	20·6	17·9	7·2	3·4	2·9	2·9	2·6	3·0
Total	240·4	263·0	283·8	317·9	310·9	287·7	239·1	138·7	155·7	191·0	203·7	164·1

We see that in all districts the area of sowing is continually, though slowly, increasing, especially for oats and flax, the latter being more intensely cultivated in Latgallia.

Drawing a parallel between the sowings and the yields, we find that the latter is not keeping pace equally with the former, the reason of which is that the scarcity of available means does not, as yet, allow a rational cultivation of the newly ploughed land and therefore prevents a fuller yield.

The quantities harvested are given in the following

Yields	Livonia					Courland					Zem	
	1920	1921	1922	1923	1924	1920*)	1921	1922	1923	1924	1920	1921
Rye	425·2	751·1	406·3	747·8	564·0	407·4	434·0	403·9	537·3	374·2	—	399·9
Wheat	42·0	—	83·1	134·8	123·8	57·5	—	68·2	100·9	87·1	—	—
Barley	258·9	565·6	508·7	370·5	463·2	226·9	183·9	223·5	223·3	303·4	—	268·5
Oats	525·1	1117·1	1050·8	801·2	837·5	432·7	437·9	542·6	601·7	729·0	—	491·1
Vetches	—	—	163·3	155·3	177·5	—	—	63·5	103·8	140·7	—	—
Peas	33·8	—	50·5	28·7	45·2	47·7	—	42·2	35·7	57·1	—	—
Potatoes	1503·1	2465·5	1933·3	2308·8	2471·1	1365·1	1382·4	1584·6	1263·5	1684·3	—	992·4
Flax	107·5	136·3	136·9	125·5	170·8	56·8	30·9	26·0	21·0	20·5	—	46·7
Total	2895·6	5035·6	4332·9	4672·6	4853·1	2594·1	2469·1	2954·5	2887·2	3396·3	—	2198·6

Here it must be remarked that a greater progress in the yields of 1923 was hindered by a very rainy summer that year, as, in the lower parts of the country, the seed was soaked through and became rotten, especially potatoes suffered from this. In consequence, the seed for the following year was inferior, and by this, the comparatively poor yield of 1924, when climatic conditions were more favorable, is accounted for. As to our hay crops, so the yields were equally poor, and though in 1923 the growth was good, the continuous rains prevented the harvesting, but the following year the yields were much better, especially in Livonia and Courland.

*) The quantities for Courland and Zemgallia in 1920 are together.

which is shown in the following table (in thousands of hectares).

Zemgallia						Latgallia						Latvia					
1920	1921	1922	1923	1924	Average 5 years	1920	1921	1922	1923	1924	Average 5 years	1920	1921	1922	1923	1924	Average 5 years
—	39·3	46·2	57·8	61·0	47·9	67·4	89·0	87·9	87·8	89·2	84·3	196·7	226·8	236·2	262·6	266·1	237·7
—	—	8·6	15·0	17·1	10·1	1·1	—	2·2	3·1	3·2	2·8	15·7	18·6	28·5	42·3	43·0	29·6
—	28·4	33·9	41·4	42·0	33·1	36·8	48·1	49·9	53·8	56·4	49·0	123·8	146·2	156·7	175·8	179·1	156·3
—	50·4	62·5	72·4	86·2	63·7	35·3	48·1	47·7	53·6	58·1	48·6	215·6	251·6	273·4	305·3	334·3	276·0
—	18·8	20·0	33·1	35·7	26·9	—	4·8	6·6	8·2	8.7	5·7	—	47·5	47·3	73·4	77·0	61·3
—	5·7	8·4	10·4	11·2	7·8	9·0	13·9	15·5	15·9	16.8	14·2	20·0	27·3	33·1	36·5	38·7	31·1
—	9·8	10·9	13·1	12·9	11·1	15·2	19·0	24·4	23·0	23.2	21·0	49·2	58·8	69·0	78·4	74·9	66·1
—	4·7	5·5	6·5	7·4	5·6	7·0	10·6	12·2	26·1	29.9	17·2	30·4	34·1	37·7	55·8	60·5	43·7
—	157·1	196·0	249·7	273·5	206·2	171·8	233·5	246·4	271·5	285·5	242·8	651·4	810·9	881·9	1030·1	1073·6	901·8

The compared figures of our hay crops for the last years are as follows (in quintals):

	1921	1922	1923	1924
Livonia . . .	5,209,521	8,536,482	4,787,706	6,240,397
Courland . .	2,282,910	3,141,684	2,994,683	3,720,213
Zemgallia . .	2,011,362	3,036,998	2,455,146	3,007,954
Latgallia . .	2,191,907	3,703,231	2,701,243	3,070,056
Latvia . .	11,695,700	18,418,395	12,938,778	16,038,620

table in thousands of quintals (1 quintal = 100 kg).

gallia			Latgallia					Latvia					
1922	1923	1924	1920	1921	1922	1923	1924	1920	1921	1922	1923	1924	Average 5 years
415·6	686·3	461·0	357·6	905·9	513·0	764·2	594·6	1190·2	2490·9	1738·8	2735·6	1993·8	2029·9
94·8	186·1	196·5	6·2	—	14·7	24·7	23·0	105·7	213·5	260·8	446·5	430·4	291·4
375·9	384·9	411·4	179·2	396·4	365·9	332·3	441·3	665·0	1414·4	1474·0	1311·0	1619·3	1296·7
655·0	648·1	711·9	172·1	398·6	389·1	331·2	431·5	1129·9	2444·7	2637·5	2382·2	2709·9	2260·8
248·2	350·5	370·2	—	—	52·7	50·1	67·9	—	494·5	527·7	659·7	756·3	609·6
89·8	76·5	109·1	51·6	—	127·3	65·8	141·2	133·1	290·5	309·8	206·7	352·6	258·5
1152·0	1091·2	1139·3	876·7	1897·9	2081·2	1120·6	1462·3	3744·9	6738·2	6751·1	5784·1	6757·0	5955·1
55·2	53·0	69·3	37·4	84·2	95·4	155·8	250·1	201·7	298·1	313·5	355·3	510·7	335·9
3086·5	3476·6	3468·7	1680·8	3683·0	3639·3	2844·7	3411·9	7170·5	14384·8	14013.2	13881·1	15130·0	13037·9

As regards clover and fodder grass, the quantities harvested are continually increasing and of them these last years have been gathered in:

	1921	1922	1923	1924
Livonia . .	1,487,407	3,142,356	2,779,421	2,990,393
Courland .	1,115,743	1,467,060	1,962,605	1,914,692
Zemgallia .	842,005	1,421,653	2,554,381	2,491,324
Latgallia . .	255,839	610,265	641,508	692,239
Latvia . .	3,700,994	6,641,334	7,937,915	8,088,648

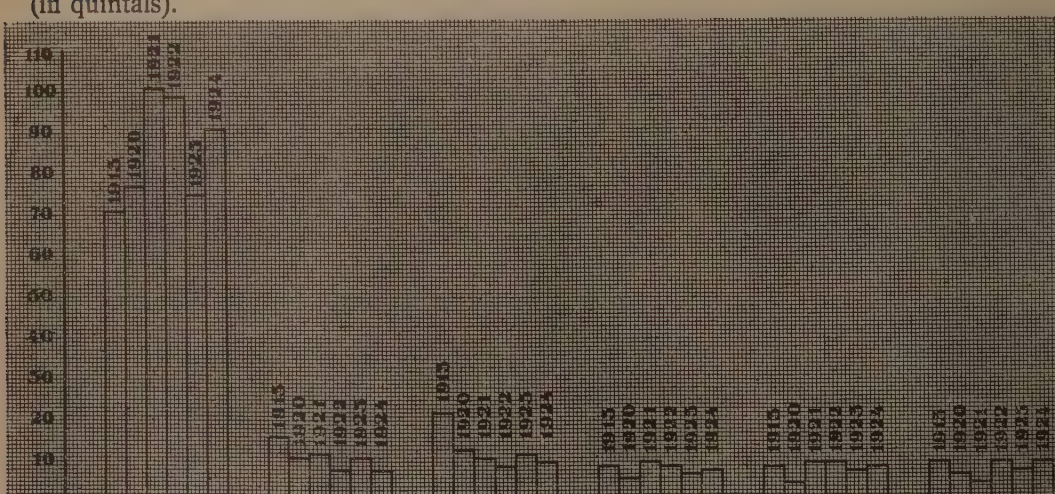
In respect to yields, our crop of 1922 has been the richest, which was partly due to the fact that, after the war, much fallow land had been ploughed up, and the same not having been used or tilled all the years during the war, richly recompensed the labourer in the first year when peace was restored. Also the climatic conditions of the summer of the year 1922 were satisfactory.

The following table shows the yields from one hectare

Sowings	Livonia						Courland					
	1913	1920	1921	1922	1923	1924	1913*)	1920*)	1921	1922	1923	1924
Rye	20·5	12·6	12·4	6·6	10·8	8·3	16·2	10·3	11·9	9·8	11·4	7·7
Wheat	21·5	16·0	12·0	7·7	11·6	9·5	21·9	11·8	11·8	9·7	12·2	9·0
Barley	10·2	5·5	11·1	10·2	7·0	9·0	10·3	5·7	9·1	9·6	8·0	10·4
Oats	9·9	5·8	10·7	10·1	7·3	7·6	10·0	4·9	8·3	9·2	8·7	9·1
Vetches	—	—	11·2	11·0	7·7	8·8	—	—	9·1	10·9	8·7	11·3
Peas	8·4	7·9	11·6	9·4	5·7	8·9	9·6	6·9	9·1	11·0	6·8	10·2
Potatoes	90·4	89·3	100·7	92·9	89·9	105·6	75·5	79·4	98·5	122·6	76·0	109·4
Flax	9·9	6·6	4·1	8·0	6·2	8·3	10·1	7·9	3·9	8·7	7·1	7·9
Total	170·8	143·7	173·8	155·9	146·2	166·0	153·6	126·9	161·7	191·5	138·9	175·0

*) For the years of 1913 and 1920 the resp. dates for Courland and Zemgallia are together.

The following diagram shows the yields of our chief products for one hectare (in quintals).



yields in quintals on one hectare.

As abovementioned the richest crop we have had, was in 1922, and even the crop of 1921 was a satisfactory one, but later the progress was checked, partly for want of necessary means, as we were not able to buy artificial manure, agricultural machinery and other necessary implements, by the help of which the cultivation of the soil could be improved and its productiveness increased. Only the dung of our cattle was used, and as our live stock was then yet insufficient, the quantity proved to be too small.

of land for 1913 and the last years (in quintals):

Zemgallia						Latgallia						Latvia					
1913	1920	1921	1922	1923	1924	1913	1920	1921	1922	1923	1924	1913	1920	1921	1922	1923	1924
—	—	9·9	9·0	11·9	7·6	11·9	9·8	10·2	5·8	8·7	6·7	15·6	10·9	11·6	7·4	10·5	7·5
—	—	10·2	11·1	14·3	11·5	15·5	11·5	10·4	6·7	9·7	7·2	21·9	13·3	11·5	9·2	12·9	10·0
—	—	9·6	11·1	9·3	9·8	7·8	4·9	7·7	7·3	6·2	7·8	9·6	5·4	10·0	9·4	7·5	9.0
—	—	9·8	10·5	8·9	8·3	8·5	4·9	7·7	8·1	6·2	7·4	9·7	5·2	9·7	9·6	7·8	8·1
—	—	10·4	12·4	10·6	10·4	—	—	8·2	8·0	6·1	7·8	—	—	10·4	11·1	9·0	9·8
—	—	10·5	10·7	7·4	9·7	6·3	5·7	9·2	8·2	4·1	8·4	8·2	6·6	10·6	9·4	5·7	9·1
—	—	103·2	105·4	83·3	88·3	46·9	57·8	88·9	85·3	48·7	63·0	69·7	76·1	100·1	97·8	73·8	90·2
—	—	4·1	10·1	8·2	9·4	6·4	5·3	3·8	7·8	6·0	8·4	8·9	6·6	4·1	8·3	6·3	8·4
—	—	167·7	180·3	153·9	155·0	103·3	99·9	146·1	137·2	95·7	116·7	143·6	124·1	168·0	162·2	133·5	152·1

At the conclusion of our statement in respect of agricultural conditions in Latvia, we cannot help remarking that not only with us, but also in other countries, which have more or less been involved in the war, and have been a scene of war activities, the area of tilled land and its productiveness has greatly diminished. Europe is more than ever in need of Overseas imports, and already before the war, America had taken the lead as purveyor of corn and other products of premier necessity. The productiveness of Latvian husbandry must be by all means increased so far, that it will be sufficient to meet all requirements of home consumption and not stand in need of imported provisions. As the number of our farms is now increasing and the cultivation of the land generally improving, there is every reason to hope that a few years hence we shall succeed in this and overcome present difficulties.

Still we wish to add a few words regarding our live stock, as cattle breeding has been always of great moment to our farmers and tillers of the soil.

During these last years many associations of dairies have been formed and their productiveness is continually increasing. As per statistics for the year 1923 there were registered 279 amalgamated dairies and 96 private dairies, which dealt with 11,500,000 litres or about 255,000 English gallons of milk during the year. Though cattle breeding and especially dairy farming are progressing rather rapidly with us, nevertheless, our stock of cattle was before the war, as it is also now after the war, insufficient.

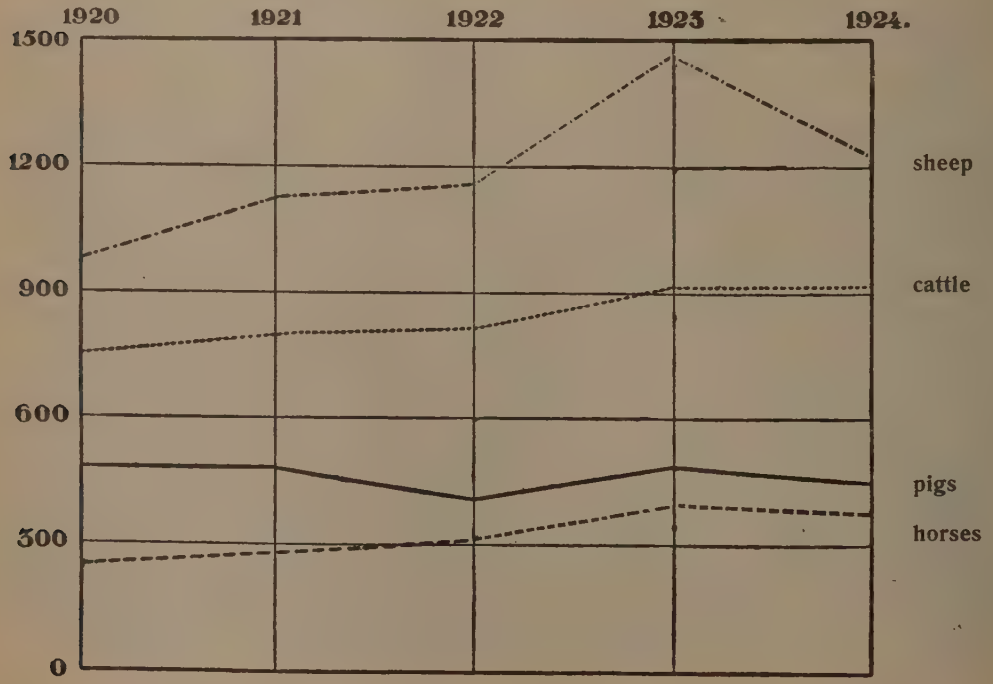
Sheep breeding is also rapidly developing, which is quite natural, as we have much poor pasture land and meadows, exactly adapted, or at least sufficient for this kind of breeding. In Western Europe, where more intensive methods of cultivation are pursued, the stock of sheep is generally diminishing, but with us it is just the reverse.

The increase of live stock in Latvia for the last years with a parallel of

Years	Livonia				Courland			
	Horses	Cattle	Sheep	Pigs	Horses	Cattle	Sheep	Pigs
1913 *)	89·9	355·0	424·5	185·1	141·5	349·8	306·1	204·9
1920	81·7	313·4	368·2	172·3	48·8	139·1	227·8	96·4
1921	86·0	321·0	408·5	172·0	51·0	136·5	245·5	86·0
1922	92·0	323·0	417·0	131·0	57·0	135·5	235·5	71·0
1923	101·6	349·5	479·0	161·6	65·6	151·4	316·6	96·1
1924	101·0	342·0	375·0	151·3	65·0	158·0	261·1	94·0

*) For the year 1913 the figures for Courland and Zemgallia are together, but for Latgallia they

We see that with every year the number of our live stock has augmented, excepting the year 1924, which check is accounted for by the poor crop of the preceding year 1923, resulting in a general shortness and dearth of fodder stuffs, so that many of our farmers were compelled to sell their cattle, the number of which had only begun to be augmented after the devastations of the war, but now we are again progressing and may hope that this will continue. The following diagram shows this progress.



the pre-war year 1913 is shown by the following table (in thousands):

Zemgallia				Latgallia				Latvia			
Horses	Cattle	Sheep	Pigs	Horses	Cattle	Sheep	Pigs	Horses	Cattle	Sheep	Pigs
—	—	—	—	—	—	—	—	231·4	704·8	730·6	390·0
47·1	119·2	120·3	89·5	83·1	196·6	261·6	123·0	260·7	768·3	977·9	481·2
54·5	135·0	168·0	96·0	91·0	207·0	310·0	128·0	282·5	799·5	1132·0	482·0
65·0	149·0	213·0	84·0	89·0	203·0	296·0	116·0	303·0	810·5	1161·5	402·0
75·5	185·7	312·9	107·3	98·5	224·3	379·7	122·3	341·2	910·9	1488·2	487·3
76·2	189·0	272·2	101·4	98·0	216·0	326·7	111·3	340·2	905·0	1235·0	458·0

were not available.

Of our live stock we have not yet mentioned goats and rabbits. In the year 1920 there were registered about 30,000 goats, but later this number has greatly diminished as statistics for 1923 state 19,660 goats, and probably the decrease will continue.

The decrease of our rabbit stock has been still more rapid, as in the year 1920 their number is stated as about 50,000, whereas the statistics for 1923 state only 30,688 rabbits. Poultry farming has been progressing the last few years. For the year 1920 the number was stated as 831,277, whereas for 1923 it had increased to 1,351,827 fowls, though on the new farms the poultry stock is comparatively small.

Then lastly our bee-keeping ought to be mentioned, which is also progressing, though statistics for the time before the war and until 1920 are not available. For the year 1910 the estimation was 50·000 hives, for 1920 — 43,450 hives, but in 1923 there were registered 67,693 hives, thereby exceeding the pre-war position. One hive has given, on the average, about 30 pounds of honey and 3,6 pounds of wax.

At the conclusion of the review of our farm-life we are glad to say that there can be no doubt as to its continual progress and had it not been for the two impoverished years, our position by this time would be much better.

Great care and attention must now be paid so that our farm work should be done more rationally, and its productiveness be increased by the help of modern machinery and artificial manure. Farming is a most important factor in our economic life and it deserves most assiduous consideration.

III. Industry of Latvia.

The destruction of our former industry was not caused so directly by the war, as by the order, given in the second year of the war (1915) by the Russian Government, to evacuate all plant to the interior of Russia. The total value of this plant was estimated at $1^1/_2$ milliards of gold lats. Together with the plant, all trained hands were evacuated to Russia, so that when Latvia became independent, all factories lay ruined, their plant had disappeared, as also nearly all their workmen.

Our Metal-Textile-Mineral and Chemical industries had lost from 81 to 96% of their hands, Paper- and Polygraphic industries 67.12%, wood-workers and turners 66·67%, animal products 84·61%, and foodstuffs 55·84%. Our newly-established industry of the year 1920 was on a small scale, as compared to the hands employed, the average number being 15 against 132 in the pre-war time.

The following table gives the number of the resp. factories and of the hands employed:

Branches of industry	Number of enterprises					hands				
	1910	1920	1921	1922	1923	1910	1920	1921	1922	1923
Textile industry	52	81	118	225	295	12,143	2,000	3,380	4,063	5,763
Paper & Polygraphic	79	61	98	109	114	5,208	1,712	2,992	3,763	4,304
Mechanical Wood-turning	99	156	271	352	201	11,304	3,767	4,595	6,313	8,975
Metal industry	115	102	162	184	215	25,385	4,752	5,901	6,282	7,723
Mineral industry	150	31	45	46	59	12,029	903	1,699	1,992	2,412
Animal products	46	41	64	78	91	3,405	524	1,094	1,359	1,859
Foodstuffs	175	862	795	799	901	8,063	3,560	4,657	5,282	6,281
Chemicals & drugs	39	21	53	57	69	12,659	462	896	1,711	1,930
Sundries	27	75	103	56	87	3,147	3,533	3,429	1,062	1,367
Total	782	1430	1709	1906	2032	93,343	21,213	28,643	31,827	40,614

For the years 1920, 1921 and 1922, all enterprises were reckoned, which had started working in that period or previous to it, and employed not fewer than 5 hands, using mechanical motive power, but for the year 1923 only those enterprises were registered, which were working permanently and employing not fewer than five hands, with the help of mechanical motive power. Up to 1910 only such enterprises were registered, which employed not fewer than 16 hands, assisted by mechanical motive power.

As to the utilized motive power, full statistics are not available, either for the year 1920, or for the years previous to the war, however it stands to reason, that, before the war, at least 150,000 HP was utilized over all Latvia, of which 336 enterprises in Rīga utilized 87,181 PH, in Liepāja (Libau) 35,000 HP. For the year 1921 there were registered for the industry of Rīga 23,007 HP. The average for one industrial enterprise in Rīga was, before the war, 260 HP, but in 1921 only 62·8 HP. The number of the various enterprises with and without mechanical motive power is given in the following table:

Branches of industry	With mechanical motive power			Without mechanical motive power			Averages HP for one enterprise		
	1921	1922	1923	1921	1922	1923	1921	1922	1923
Textile industry	90	137	242	28	88	53	29·5	23·8	17·4
Paper & Polygraphics	75	88	93	23	21	21	67·6	67·2	75·6
Mechan. fashioning of wood	234	264	188	37	88	13	32·9	33·4	50·3
Metal industry	142	162	189	20	22	26	108·3	75·8	80·8
Mineral industry	25	22	36	20	24	23	28·2	19·6	30·7
Animal products	37	47	58	27	31	33	20·6	18·9	22·3
Foodstuffs	687	705	855	108	94	46	23·4	24·3	24·8
Chemicals & drugs	32	40	50	19	17	19	64·8	42·3	35·3
Sundries	77	35	65	28	21	22	259·1	323·2	326·9
Total	1399	1500	1776	310	406	256	50·3	41·1	46·5

As abovementioned, our present industry is working on a small or medium-sized scale, supplying, for the greater part, only our home markets, but rarely exporting. The reason, that from our great industry, there has emerged only a small one, is obvious, when we bear in mind, that many of the less important factories were not evacuated and their plant was not destroyed or damaged, either by the war, or by the revolution, which followed. As soon as peace and order was restored, the small factories were able to begin working for our home market with success, also it was easier to start the small factories, as for these, large means were not necessary. Later, after the position of the State had become more stable, larger investments of capital were risked and greater enterprises awakened into life, the products of which are to a great extent exported.

More approximate to the pre-war condition is our Paper & Polygraphic industry, the number of hands of which in 1923 differed only by 21% from that of the year 1910. Respecting our mechanical wood fashioning industry, the difference in the same year was 26%, for foodstuffs 28%, animal products 40%, textile industry abt. 50%, metal industry abt. 65%, but mineral industry abt. 75% fewer than in 1910.

The utilization of mechanical motive power has progressed less in proportion to the number of hands employed, which partly proves that our small factories are in need of capital, by the help of which they would be able to secure better plant and not be obliged to pursue more primitive methods of manufacture.

For that reason they could not compete in the European market and were confined to the supply of home demand. The number of factories working with the help of mechanical motive power has increased. Plants utilizing water power in the year 1921 were registered 669 with 10,954 HP, but in 1923 their number increased to 825 plant with 14,064 HP. For the same period the number of petroleum, gas, benzine and naphtha motors increased from 60 motors with 1057 HP to 95 motors with 1651 HP, and electric motors from 992 with 11,218 HP to 2107 with 18,379 HP, whereas the number of plant utilizing other kinds of motive power has decreased for the same period.

The following table indicates the number of the various enterprises in the year

1923 with the number of hands employed, and classified in accordance with the statistics of the Administration.

District	Textile industry		Paper and polygraphic industry		Wood turning industry		Metal industry		Mineral industry		Animal products		Food-stuffs		Chemical industry		Sundries		Total in all enterprises	
	Number of enterprises	Number of hands	Number of enterprises	Number of hands	Number of enterprises	Number of hands	Number of enterprises	Number of hands	Number of enterprises	Number of hands	Number of enterprises	Number of hands	Number of enterprises	Number of hands	Number of enterprises	Number of hands	Number of enterprises	Number of hands	Number of enterprises	Number of hands
Rīga	105	3830	73	2184	117	5539	162	3662	19	1555	66	1565	163	3906	52	854	28	501	785	23596
Rīga district	16	45	4	1264	11	963	3	174	10	205	2	14	69	133	—	—	5	138	120	2936
Cēsu „	23	171	4	44	2	6	5	115	4	41	3	24	108	190	—	—	7	46	156	637
Valmieras „	20	207	4	227	6	105	3	22	2	18	2	7	78	208	2	8	3	7	120	809
Valkas „	20	163	6	302	8	366	2	121	4	19	1	3	76	200	1	5	7	17	125	1196
Livonia	184	4416	91	4021	144	6979	175	4094	39	1838	74	1613	494	4637	55	867	50	709	1306	29174
Liepāja	9	74	11	156	23	588	19	2284	1	2	6	148	23	230	6	507	6	218	104	4207
Liepājas district	6	18	—	—	3	53	1	9	2	28	—	—	12	25	—	—	2	71	26	204
Aizputes „	10	25	—	—	—	—	—	—	1	12	—	—	33	78	—	—	2	3	46	118
Kuldīgas „	12	175	—	—	5	179	3	63	1	6	3	17	39	106	2	410	1	1	66	957
Ventspils „	2	6	2	14	7	918	1	1	2	76	—	—	12	34	—	—	3	8	29	1057
Talsu „	11	29	1	3	1	6	1	3	2	10	1	7	52	185	2	79	3	2	74	324
Courland	50	327	14	173	39	1744	25	2360	9	134	10	172	171	658	10	996	17	303	345	6867
Tukums	8	34	—	—	2	2	—	—	2	19	—	—	27	195	—	—	3	12	42	262
Jelgavas district	12	824	4	55	4	70	11	478	4	94	2	30	22	283	3	34	5	117	67	1985
Bauskas „	7	47	—	—	2	14	2	9	2	15	2	15	19	102	—	—	2	9	36	211
Jēkabpils „	7	21	1	3	2	5	—	—	—	—	—	—	16	31	—	—	2	5	28	65
Ilūkstes „	4	4	—	—	1	2	—	—	2	22	—	—	26	71	—	—	—	—	33	99
Zemgallia	38	930	5	58	11	93	13	487	10	150	4	45	110	682	3	34	12	143	206	2622
Daugavpils district	7	35	2	17	4	53	2	782	1	290	1	17	45	146	—	—	3	198	65	1538
Rēzeknes „	10	36	2	35	2	93	—	—	—	—	1	6	32	63	—	—	4	13	51	246
Ludzas „	6	19	—	—	1	13	—	—	—	—	1	6	49	95	1	33	1	1	59	167
Latgallia	23	90	4	52	7	159	2	782	1	290	3	29	126	304	1	33	8	212	175	1951
Latvia	295	5763	114	4304	201	8975	215	7723	59	2412	91	1859	901	6281	69	1930	87	1367	2032	40614

One half of the whole of our industrial enterprises is concentrated in Rīga and of the total number of hands 58·10% are employed in Rīga; in Livonia, Rīga included 71·83%, in Liepāja 10·36%; in Courland, Liepāja included 16·91%; in Zemgallia 6·45% and in Latgallia 4·81%.

The total value of the whole produce of all our industrial enterprises for the year 1923 is valued at 241·4 million lats, against 136·6 millions in the preceding year 1922. As to the single value of the different kinds of produce, in the first place stand foodstuffs and provisions, followed by wood turning industry, metal industry, textile industry, paper and polygraphic industry, animal products, chemical industry, various enterprises, and lastly mineral industry.

Let us contemplate the various branches singly:

Textile industry. In 1923 there were registered 295 enterprises (factories), employing 5763 hands, but the number of factories employing over 50 workmen was only 23 (against 13 in 1921), whereas for the year 1910 — 39 factories with over 100 hands each were registered, and now, of such factories, we have only 7: At

Jelgava (Mitau) the flax mills of L. & J. Hoff with 690 hands, the Joint Stock Company "Textiles" at Rīga with 300 hands, Kurschanski & Himmelhoch at Rīga with 292 hands, Ilģeciems mills 280 hands, R. Feldhuhn & Co., Cotton mills 260 hands, Vintelers' Cloth mills at Kuldīga (Goldingen) 138 hands, and the Joint Stock Company "Lenta" Cotton mills, with 106 hands. A classification as to specialities or side branches is as follows:

	Number of enterprises	Number of hands
Cotton spinning & weaving sheds	1	178
Wool carding, spinning & weaving sheds	146	1.987
Flax spinning & weaving sheds	9	906
Cotton & flax weaving mills	2	193
Wool & flax carding, spinning & weaving sheds	3	210
Flax preparing mills	3	56
Rope and twine works	10	213
Knitting works	11	164
Dye works & laundries	62	602
Sundries	48	1.254
Total	295	5.763

The total value of the produce of our textile industry for the year 1923 is estimated to have been 25·9 million lats.

Paper and polygraphic industry. This branch of our industry, thanks to protectionism, our own raw products and a ready local market, has attained better results, than any other branch of our industries.

For the year 1923 were registered 114 enterprises with 4304 hands.

For the year 1910 were registered 28 enterprises, each with over 100 hands, whereas at present, their number reaches only 9, i. e.: The Baltic Cellulose works at Sloka, with 550 hands; The Joint Stock Co. Rīga Paper Mills Ligat — 480 hands; Baltic Paper and Cardboard mills at Staicele, 197 hands; State Printing works, 190 hands; Mülmans card board factory at Ādaži, 150 hands; Rīga Cardboard factory, 142 hands; Litenes Paper Mills, 136 hands; the printing works of the Joint Stock Company, Valters & Rappa, Rīga, 102 hands; and the printing offices of our Ministry of Communications, with 100 hands. Classified as to specialities and side branches, they present themselves as follows:

	Number of enterprises	Number of hands
Typography & lythography	70	1.870
Bookbinding offices	9	156
Paper mills	4	1.437
Cardboard & wood pulp factories	7	334
Cardboard works	10	368
Paper bag works	3	19
Tissue paper	9	64
Sundries	2	56
Total	114	4.304

Our paper mills export large quantities of their produce, and that quantity increases with every year.

The total value of the produce for the year 1923 was abt. 17 million lats.

Saw mills and wood-turning works. This produce holds the first place in our industry in respect to our export.

In the year 1923 were registered 201 enterprises of this kind with 8975 hands, of which the following 26 employed over 100 workmen respectively: (in the year 1910 their number was 43). The Northern Baltic Joint Stock Company with 640 hands; Joint Stock Company "Emolip" 360 hands; Joint Stock Co. F. V. Nater's veneer works 340 hands; J. M. Braun's saw mills, 322 hands; L. M. Kremmerts' saw mills 274 hands; Mühlman's saw mills 240 hands; F. Brill's saw mills 225 hands; Joint Stock Company A. Broitman's saw mills, 213 hands; Ballod's saw mills and the Russisk Norsk S. N. Industry, each with 200 hands. Of the 16 remaining wood-turning enterprises, each employing from 100 to 200 hands, 13 are in Rīga, 1 in Dubulti, 1 in Ventspils (Windau), and one in Lugaži. Enterprises with over 50 hands were registered in 1921 — 19, but in 1923 — 46.

Classified as to specialities they present themselves as follows:	Number of enterprises	Number of hands
Saw mills	82	6,723
Wood fashioning & wooden articles	65	695
Cork cutting factories	4	86
Wooden cases, tubs & barrels	5	110
Wooden toys	2	12
Wooden spigots	3	33
Wooden lasts for shoemakers	4	59
Splints for matches	6	351
Veneering factories	4	436
Sundries	26	470
Total	201	8,975

The total value of the produce of our wood-turning industry for the year 1923, was 38·7 million lats.

Metal industry. For the year 1923 were registered 215 enterprises with 7723 hands (in 1910 there were 115 enterprises with 25,385 hands), of which the following ten enterprises employed over 100 hands respectively (in 1910 such were 76): The North Western Metallurgical Mechanical and Ship Building Works with 976 hands; The Latvian Railway works at Daugavpils 435 hands; The Naval Port factory at Liepāja 433 hands; Repair works of the Latvian Railways in Rīga 305 hands; The Engineering works of G. Valdispühl at Rīga, with 130 hands; Star works at Rīga 122 hands; the works of the Rīga Exchange Committee at Daugavgrīva, 122 hands; Mechanical factories of the Latvian Railways at Vecgulbene 120 hands; B. Becker's Key factory in Rīga 114 hands; and the Municipal Mechanical factory for water and gas-pipes with 104 hands.

The number of enterprises which employed over 50 hands was as follows: for 1921 — 12, 1922 — 19 and 1923 — 27. Several of these enterprises are passing through a crisis at present, because of foreign competition and insufficient protection.

Classified as to specialities or branches the figures obtained are as follows:

	Number of enterprises	Number of workmen
Iron foundries & rolling works	1	959
Engineering works and transmission factories	13	1,030
Factories for the repair of agricultural machinery & implements	98	1,178
Nail factories	4	123
Locomotive building & iron foundries	19	525
Ship-building & repairing	6	308
Railway & waggon repairing	7	2,735
Making of weights	5	77
Tin-smith's works	11	78
Key factories	2	205
Needle factories	1	46
Sundries	48	459
Total	215	7,723

The total value of the produce of our Metal industry for the year 1923 was 29·2 million lats.

Mineral industry. In the year 1923 were registered 59 enterprises with 2412 hands, and of these only 6 employed over 100 hands respectively (in 1910 their numb. amounted to 82): Association M. Kuznecovs', porcelain and earthenware works, with 350 hands; Glass factory of the Joint Stock Company "Latvijas Stikls" with 260 hands; Glass factory "Bohemia" 225 hands; P. Ozolin's glass factory 160 hands; Joint Stock Company of Rīga Glass industry, 150 hands; Glass factory "Censonis" also 150 hands. A great deal of our glass has been exported, also china, but our brick yards are of much greater moment in respect to our home needs, as also for our future export. Enterprises employing over 50 hands were registered in 1921 — 8, 1922 — 11, and in 1923 — 13. Classified as to the various branches of our mineral industry, the figures are as follows:

	Number of enterprises	Number of hands
Brick yards	18	189
Lime kilns	11	93
Cement factories	2	138
Potteries	7	130
Glass factories	9	1,406
Porcelain & pottery earthenware	1	350
Gypsum mills	2	24
Sundries	9	82
Total	59	2,412

The total value of the produce of our Mineral industry for the year 1923 was 4·4 million lats.

Animal products. In the year 1923 were 91 enterprises with 1859 hands, and only four employed over 100 hands. (In 1910 were 18.): The Joint Stock Company C. Vildenberg's tanneries with 196 hands; The Joint Stock Company First Bone Mills with

160 hands; the tanneries "Korona" with 112 hands; and Schnikvalds leather and shoe factory with 110 hands. Enterprises of this kind, employing not fewer than 50 hands, were in 1921 — 5, 1922 — 5, and in 1923 — 10. Classified as to specialities the figures are as follows:

	Number of enterprises	Number of hands
Tanneries	45	793
Shoe makers	30	844
Leather belting factories	2	11
Saddlers'workshops	3	36
Bone glue & bone meal works	4	84
Sundries	7	91
Total	91	1,859

The total value of the produce for the year 1923 was 14·3 million lats.

Food Stuffs and Delicacies. Of this kind of industry there were in 1923 — 901 enterprises, with 6281 hands, and the following 9 employed over 100 hands respectively (in 1910 — 35).

Tobacco factory A. G. Ruthenberg Limited, with 240 hands; The Joint Stock Company Goegginger's, sweet factory, with 143 hands; The Joint Stock Company A. Riegert, sweet factory, with 130 hands; Corn Mills Levitas & Co, with 126 hands; The Joint Stock Company "Auglu Eksports" brewery and fruit wine factory, with 113 hands; A. M. Asimakis tobacco factory, with 113 hands; V. Kuze biscuit factory, with 110 hands; Sweet factory Makedonia, with 108 hands; Brewery "Ilģeciems", 104 hands. Enterprises employing not fewer than 50 hands were registered in the year 1921—21, 1922—24, and in 1923—29. The first place in this branch of our industry is held by our Corn mills (in respect to the number of enterprises, as well as in respect to the number of hands employed), the second place is taken by tobacco and cigarette factories, followed by sweet factories, distilleries, breweries, sausage makers, preserved food factories etc. Classified as to their various branches the figures are as follows:

	Number of enterprises	Number of hands
Corn mills	634	1,846
Bakeries and confectioners	24	213
Macaroni factories	2	18
Dairies	29	111
Preserved food factories	9	229
Sausage makers	31	230
Starch-syrup and potato-flour works	11	117
Sweet factories	27	826
Coffee roasting establishments	13	41
Distilleries	39	676
Liqueur factories	11	97
Breweries	20	597

Mineral, fruit water & wines	17	98
Tobacco & Cigarette factories	13	917
Salt works	4	29
Malt works	1	23
Sundries	16	213
Total	901	6,281

The total value of food-stuffs and delicacies produced in the year 1923 was 85·9 million lats.

Chemical industry. Notwithstanding the fact that this branch of our industry has suffered most from the war, there were already 69 enterprises with 1930 hands registered in the year 1923. Each of the following eight enterprises employed over 100 hands (For 1910 the paralled was 39 enterprises): Match Factory "Vulcan" in Libau with 400 hands; Match Factory "Vulcan" in Kuldīga (Goldingen) 262 hands; Rubber Company "Varonis" in Rīga 250 hands; Linoleum Factory in Liepāja 128 hands; Match Factory "Komet" in Rīga 120 hands; Match Factory "Stars" in Sabillen 120 hands; Liepāja Oil Mills 115 hands; and M. Kalnin's Chemical works in Rīga with 100 hands.

Enterprises employing not fewer than 50 hands were registered in 1921—2, 1922—9 and in 1923 also 9. Taking into consideration that this branch of our industry has had the advantage of protectionism, its productiveness has developed considerably these last years, though it will still take some time before the pre-war position is reached.

Classified as to specialities, the figures are as follows:

	Number of enterprises	Number of hands
Soap factories	12	139
Varnish works	3	35
Colour works	8	60
Vegetable oil mills	11	193
Turpentine, wood-spirit and tar factories	3	22
Naphtha working factories	1	98
Linoleum factories	1	128
Rubber factories	2	117
Match factories	4	858
Gas factories	3	84
Candle works	4	31
Sundries	17	165
Total	69	1,930

The total value of the produce of this industry in the year 1923 was 13·1 million lats.

Various industrial enterprises. Of these were registered in 1923, 87 enterprises, employing 1367 hands, and only two employed over 100 hands: Peat-cutting works at Sloka with 105 hands; and the Reege peat-cutting works at Priekule with 100 hands. Enterprises employing more than 50 hands were in 1921—15, 1922—5, and in 1923—8.

Classified, their number is as follows:

	Number of enterprises	Number of hands
Electric power (stations) works	45	493
Water-works	3	57
Peat-cutting works	5	287
Amber industry	4	27
Others	30	503
Total	87	1.367

The total value of the produce of enterprises, forming part of this group in the year 1923, was 12·9 million lats.

Though, on the whole, and owing to the order of the former Russian Government to evacuate all plant to the interior of Russia, our industry has been greatly retarded, we are glad to report a continued progress and development in all branches, as far as that progress is possible with our limited resources. There is no doubt that, in the very near future, our industry will recover its due position in our economic life, as our geographical position, together with other circumstances, tends to its development, and foreigners will, before long, find it worth while trying investments here.

Statistics for the year 1924 are as yet not available, and for this reason we have had to content ourselves with those for the year 1923. We may add, however, that further progress has been made in 1924 in the branches of our woodturning, textile and chemical industries to the extent of about 25%. As to other branches, there also productiveness has increased, but only to a smaller extent.

IV. Foreign Trade.

Before we proceed to the contemplation of our foreign trade, we must first investigate some questions arising in connection with the data, on which we will base our summary, i. e. with the data published by the State Board of Statistics. According to these data, the Latvian foreign trade is indicated by the following figures (in lats):

	1921	1922	1923	1924
Import	93,697,859	107,370,110	211,857,296	256,364,734
Export	39,164,674	101,992,006	161,978,356	170,523,762
Total .	132,862,533	209,362,116	373,835,652	426,888,496
Imp. prevailing for	54,533,185	5,378,104	49,878,940	85,840,972

These figures present our commercial balance in a much worse light than it really is, as when compiling these data, some factors which tell in favour of our trade, have been overlooked. We only wish to add, that the sums of rebate and discount have not been deducted from the registered Import prices, likewise, in respect to the Export, — Report, our unregistered export has not been taken into consideration, viz.: our commerce over the frontier, the provisioning of ships arriving at Latvian ports, provisioning of travellers etc. These latter factors are of sufficient moment, in view of the fact that our country, owing to its geographical position, is figuratively a bridge between East and West.

Taking into account the abovementioned, we come to the conclusion that the State Board of Statistics shows a greater passivity of our commercial balance than it is in reality.

It is not possible to state the difference exactly, as we have no numeral data concerning the factors indicated above, but after general computation, the difference may be estimated to be about 15% of the annual returns of our foreign commerce. Thus, in order to approach the real state, we are obliged to revise the above tables, adding to the returns 15% of the corresponding items. The items being thus amended, the figures will be as follows:

	1921	1922	1923	1924
Import prevailing for	54,533,185	5,378,104	49,878,940	85,840,972
15% of Annual returns	+19,929,380	+31,404,317	+56,075,347	+64,033,274
Real surplus of Import (—) or Export (+)	—34,603,805	+26,026,213	+ 6,196,407	—21,807,698

These figures give a somewhat more correct idea as to the state of our commerce during the last four years, and when drawing inferences regarding the development of our foreign trade, we refer to these figures.

It is evident from the preceding tables that our commerce is rapidly increasing. Such a steady increase cannot be expected to continue for the next years, as our country, ruined by war, cannot show greater activity in commerce and industry, but is obliged to pay all attention to the restoration of agriculture, which in fact is to be considered as the natural element of our economic life. For the last two years, that life has taken a much more normal course and has become more independent, therefore, the increase of foreign commerce will probably not continue so briskly, as in former years. No doubt, development of industry and improvement of agriculture up to a fully normal position, will lead to an increase of foreign commerce, and contribute to an amelioration of the commercial balance. Comparing the data for the last two years with the year 1922, we observe that the commercial balance has deteriorated. It is to be recognized that the favourable commercial balance of 1922 is partly due to the large export of timber during that year, but, had there not been such unfavourable climatic conditions during the last two years, which gravely affected our agriculture, our present position would be much better. These unfavourable climatic conditions in the second part of 1923, especially continuous rains, deprived the farmers of the possibility of gathering in the crops, and therefore our farmers could only obtain seed of unsatisfying quality for their sowings in 1924. This latter hindrance, which was also the cause of different vegetable diseases and impaired our yields the following year, explains the bad crops of that year, the yields of which could not satisfy our home consumption, so that we were obliged to import a large quantity of corn. This import considerably lowered our trade balance, but the deficiency of capital prevented the possibility of development and produce for export of our industry to such an extent, that the deterioration in our trade balance, caused by the import of corn in 1923 and especially in 1924, could not be made up. Notwithstanding the amendments in the above table, the trade balance of 1924 shows a surplus of import or remains passive, but our general economic and financial position clearly indicates that *the balance of payments* of Latvia is undoubtedly *active.*

The income of our railways for transport of transitgoods, also the income of our ports from foreign ships and the income of our commercial fleet, which, thanks to an increase of tonnage, augments with every year, the capital of our countrymen, which they bring with them on returning from abroad to their native land, the transfers of our emigrants to their relatives in Latvia, money in the form of interest and dividends on capital, deposited or realized by our countrymen abroad, are sufficiently important factors of our balance of payments. With the political and economic stabilisation of our country, these capitals gradually enter Latvia, and for our capital abroad we receive interest and dividends of several million lats yearly. Let us also mention our revenue from foreign tourists, who travel to or through Latvia to the neighbouring countries, especially to Russia — all these sources of income are factors contributing to the activity of our balance of payments.

We get a more correct view regarding the balance of payments in considering the stocks of foreign currency in the State and private credit institutions of Latvia during the last years.

Banks and Credit Institutions	On 1st Jan. 1922		On 1st Jan. 1923		On 1st Jan. 1924		On 1st Jan. 1925	
	Ls	C.	Ls	C.	Ls	C.	Ls	C.
Latvijas Banka	5,007,522	66	31,974,892	26	50,297,157	97	42,984,302	96
Private Banks and Credit Institutions	234,031	16	318,465	38	974,489	30	3,921,250	75
Total . . .	5,241,553	82	32,293,357	64	51,271,647	27	46,905,553	71

These data show that our stock of foreign currency increases with a favourable commercial balance, and decreases, when the commercial balance deteriorates. In connection with the active commercial balance of 1922 the stocks of foreign currency on the 1-st of January 1923 have increased within a year by Ls 27,052,804, and in 1923 still more by an additional sum of Ls 18,978,290. As in the year 1923 the foreign commercial balance was active only to a certain degree, the increase of foreign currency has occurred in connection with the activity of the balance of payments for that year, but the year 1924, shows the reverse. As we note from the preceding tables, our commercial balance for 1924 is passive, and therefore, the decrease in the stocks of currency by Ls 4,366,094 could be explained by the passivity of our balance of payments. This point of view, however, would not be correct, as in the table showing stocks of currency, we could avail ourselves only of the registered data regarding stocks of foreign currency, not taking into consideration the stocks owned by private persons. We notice that in connection with the rise of the pound sterling in the year 1924, the private Credit Institutions have quadrupled their stocks of currency (from Ls 974,489·30 to Ls 3,921,250·75) and this fact is also to be attributed to the stocks of currency owned by private persons. It is impossible to state the amount of the stocks of currency belonging to private persons, but we can say with certainity, that all free capital was invested in foreign currency, the more so, as in autumn 1924, circulatory rumours regarding probable political conflicts in the East (Reval riot.), urged some of our citizens, already discouraged by war and its consequences, to acquire stocks of foreign currency. It must be added, however, that the foreign currency comes into circulation very gradually from the stockings and bottles in which it is secreted.

In connection with the economic position of our country, the question could arise as to whether the property of our citizens has not decreased. However, a registration of property has not yet been made, and we cannot avail ourselves of registered data concerning the riches of our people, all signs indicate however that wealth has increased. With regard to agriculture, we notice an augmentation of live stock and farming inventory, especially of high-class stock and agricultural machinery. Our Industry continues to erect new plant and to be provided with the necessary raw products from the interior and abroad. In commerce, the returns of goods increase with every year, and the stocks of goods also increase accordingly. These signs all indicate that the wealth of our people increases and

we come to the conclusion that the unfavourable crops of the last two years have not after all diminished the wealth of our people to any great axtent.

From the above it is clear to be seen that, notwithstanding the unfavourable results of the last years of economic life, our balance of payments is finally active, and from this we conclude, that our economic position has become sufficiently strengthened.

Commercial Relations with different Countries.

Analyzing more in detail the development of our foreign trade, we shall avail ourselves of the data compiled by the State Board of Statistics, those data being the sole ones, from which we can ascertain the quantities and value of goods classified in groups and relating to different states.

Firstly, let us consider the development of our foreign commerce with the following countries, commencing with the year 1921: England, France, Belgium, Esthonia, Lithuania, Germany, Finland, Poland, Czechoslovakia, Soviet Russia, the Scandinavian countries (Denmark, Sweden, Norway), the United States of America and others.

The development of the foreign trade of Latvia with *England,* is shown in the following table:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	13,400,764	14·3	13,959,405	35·64	27,360,169	20·59	+ 558,641
1922	19,914,782	18·55	40,746,149	39·95	60,660,931	28·97	+ 20,831,367
1923	36,080,714	17·04	74,967,116	46·28	111,047,830	29·70	+ 38,886,402
1924	41,818,656	16·32	71,635,735	42·01	113,454,391	26·58	+ 29,817,079
Total	111,214,916	17·89	201,308,405	42·50	312,523,321	27·34	+ 90,093,489

We note, that more than $^1/_4$ of our whole trade during the last years has been transacted with England, which proves that England is a most important factor in our trade as a purchaser of our products. England has appraised the products of our country which she needs, as being of good quality. It must be pointed out that England was the first country which entered into commercial transactions with us, and in 1920 67·5% of all our products were exported to England. During the latter years this percentage has diminished, as other countries have developed interests and requirements in our raw products.

Contemplating our commercial relations with *France,* we see by the table below

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	2,319,955	2·48	2,033,101	5·19	4,353,056	3·28	— 286,854
1922	1,793,584	1·67	5,232,108	5·13	7,025,692	3·36	+ 3,438,524
1923	3,092,286	1·46	10,719,358	6·62	13,811,644	3·69	+ 7,627,072
1924	4,527,025	1·77	5,637,710	3·31	10,164,735	2·38	+ 1,110,685
Total	11,732,850	1·75	23,622,277	4·99	35,355,127	3·09	+ 11,889,427

that our export to France increases with each year, excepting the year 1924. The decrease in that year is to be explained by the economic crisis, which commenced in France at that time, and by the fact, that commercial treaties had not been arranged. This is already the second powerful state, in our foreign relations, with which our commercial balance is actively engaged. Our commercial returns with England are considerable, however, also in the French market, our exports occupy a prominent position.

As the next succeeding country, we will take *Belgium* and its commercial relations with Latvia:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	517,253	0·55	6,320,662	16·14	6,837,915	5·15	+ 5,803,409
1922	1,076,453	1·00	21,562,840	21·14	22,639,293	10·81	+ 20,486,387
1923	5,045,299	2·38	31,960,709	19·74	37,006,008	9·90	+ 26,915,410
1924	4,169,890	1·63	31,515,950	18·49	35,685,840	8·36	+ 27,346,060
Total	10,808,895	1·61	91,360,161	19·29	102,169,056	8·94	+ 80,551,266

Belgium also is a buyer of our products, as during all these latter years the commercial balance with us is very brisk. The commerce with Belgium shows a good increase and almost reaches that of England, taking into view of course the geographical and financial situation, whilst it far surpasses transactions with France. Taking into consideration that, since the year 1924, we have our Consulat General in Brussels, it is to be hoped, that our export will be augmented to still greater measures. Also the imports of Belgium in their total, almost equal those from France. A country, as small as Belgium, consumes nearly $^1/_{10}$ of our whole foreign commerce, which proves that with this country rather lively commercial relations exist, whereas nearly 89% of the returns are exports, while to England, our exports amount to only about 64%. So, Belgium as the purchaser of our goods, occupies the first place. It must certainly be added, that our chief articles of export, such as timber and flax, are to a considerable extent also exported to other countries.

In the following table we shall note the development of our foreign commerce with our neighbouring state *Esthonia:*

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	1,385,303	1·48	598,577	1·53	1,983,880	1·49	— 786,726
1922	3,545,405	3·30	1,962,058	1·92	5,507,463	2·63	— 1,583,347
1923	5,087,138	2·40	2,207,065	1·36	7,294,203	1·95	— 2,880,073
1924	7,577,597	2·96	2,194,147	1·29	9,771,744	2·29	— 5,383,450
Total	17,595,443	2·63	6,961,847	1·47	24,557,290	2·15	— 10,633,596

We see that, with each year, the commerce with Esthonia develops more and more, however, much more slowly than with Lithuania, as can be seen in the following

table. The passivity of our northern neighbouring state is to be explained by the fact, that her economical activity is more concentrated in the development of industry, and for this reason, we may anticipate in the furture a brilliant outlook for our commerce from mutual intercourse.

It is interesting to view the development of foreign commerce between ourselves and our other neighbouring state *Lithuania,* as shown in the following table:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	2,038,588	2·18	1,158,286	2·96	3,196,874	2·41	— 880,302
1922	4,017,916	3·74	1,251,817	1·23	5,269,733	2·52	— 2,766,099
1923	11,414,761	5·39	2,838,989	1·75	14,253,750	3·81	— 8,575,772
1924	12,876,214	5·02	3,460,325	2·03	16,336,539	3·83	— 9,415,889
Total	30,347,479	4·53	8,709,417	1·84	39,056,896	3·42	— 21,638,062

Each year shows an increase, and the total amount of our commercial balance respecting Lithuania for 4 years, almost equals that of Soviet Russia (3·42% Lithuania and 4·08% Russia), in territory so much larger. However, Lithuania has had greater exports than imports with Latvia, the commercial development of that neighbouring state, which has the same historical past as we have, is indisputable.

The development of our foreign commerce with *Germany,* is illustrated by the following table:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	45,042,420	48·07	7,005,036	17·89	52,047,456	39·17	— 38,037,384
1922	45,362,268	42·26	13,174,450	12·92	58,536,718	27·96	— 32,187,818
1923	95,849,927	45·24	12,306,123	7·60	108,156,050	28·93	— 83,543,804
1924	99,715,310	38·90	27,104,394	15·90	126,819,704	29·71	— 72,610,916
Total	285,969,925	42·73	59,590,003	12·58	345,559,928	30·23	— 226,379,922

The fact that Germany willingly accepts our products, is proved by the great increase of our export to that country in 1922, as compared to 1921, but Germany could not continue its import from Latvia, because of the grave economic and financial crisis, which she went through in the years of 1922 and 1923. Therefore, her import from our country, being in 1921 — 17·89%, diminished to 12·92% and even to 7·60% in 1922 and 1923, resp. During last year (1924) our export to Germany began to increase anew, and, as she is a country of great economic prospects, it cannot be denied that, in time, she will recover her former financial position and prove to be a very desirable buyer of our products. Such a view is shared by several of the German leading wholesale merchants.

Now, let us proceed to our commercial relations with *Finland*:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	1,119,192	1·20	139,676	0·36	1,258,868	0·95	— 979,516
1922	983,533	0·92	744,255	0·73	1,727,788	0·83	— 239,278
1923	789,231	0·37	515,618	0·32	1,304,849	0·35	— 273,613
1924	2,090,683	0·82	1,328,433	0·78	3,419,116	0·80	— 762,250
Total	4,982,639	0·74	2,727,982	0·58	7,710,621	0·67	— 2,254,657

At present, our commerce with Finland is rather on a small scale, by reason of the complicated and expensive transport, and also, owing to the fact that the products of Finland are similar to those of Latvia, in other words: both countries are developing under almost the same economic situation. It proves to be more advantageous to us to import those products which are available in Finland, from the Scandinavian countries, that way being shorter and less expensive. These are the reasons, why our commerce with Finland, excepting in the year 1924, has diminished. There are still prospects of our commercial balance, respecting that country, being changed into an active state, thanks to local export of malt, bricks and bone dust, which lately show a good increase. The import of Finland reaches 65%, but its export only 35% of our total returns with that country.

Further we will consider our commerce with *Poland:*

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	467,488	0·50	177,290	0·45	644,778	0·49	— 290,198
1922	2,568,885	2·39	185,525	0·18	2,754,410	1·32	— 2,383,360
1923	8,308,910	3·92	1,194,208	0·74	9,503,118	2·54	— 7,114,702
1924	8,046,841	3·14	4,849,926	2·84	12,896,767	3·02	— 3,196,915
Total	19,392,124	2·90	6,406,949	1·35	25,799,073	2·26	— 12,985,175

Our commerce with Poland has increased: during four years the commercial total returns have increased from 0·49% up to 3·02%, giving an average percentage of increase of 2·26. Better commercial relations with Poland could not be established, as the economic-financial conditions there were rather difficult, and, even at present, the country has not yet fully recovered from its overwhelming hardships. That is proved by the fact, that comparatively much smaller countries as Esthonia and Lithuania, respecting our whole import and export returns surpass Poland, the percentage for Esthonia being 2·13% and for Lithuania 3·26%. However, as already observed, our commerce with Poland increases with each year, therefore in future there are prospects for a good commercial intercourse.

The next country we shall consider is *Czechoslovakia*, the commercial development of which, relating to Latvia, is shown in the following table:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	293,985	0·31	410	0·00	294,395	0·22	— 293,575
1922	1,115,567	1·04	10,581	0·01	1,126,148	0·54	— 1,104,986
1923	2,486,368	1·18	805,275	0·50	3,291,643	0·88	— 1,681,093
1924	7,312,780	2·85	2,107,174	1·24	9,419,954	2·21	— 5,205,606
Total	11,208,700	1·67	2,923,440	0·64	14,132,140	1·24	— 8,285,260

We notice, that though at present, our commerce with Czechoslovakia is still comparatively small, with each year the commercial relations briskly increase. Czechoslovakia is one of those countries, which pay the most lively attention to the economic life of Latvia, and which steadily endeavour to enlarge the commercial relations with us. Should this increase continue as hitherto, then in the next two or three years Czechoslovakia will occupy one of the first places in the foreign trade of Latvia.

Further, the development of our foreign trade with *Soviet Russia* is shown in the following table:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	152,648	0·16	3,678,602	9·39	3,831,250	2·88	+ 3,525,954
1922	1,611,117	1·50	6,780,626	6·65	8,391,743	4·01	+ 5,169,509
1923	7,567,710	3·57	5,957,032	3·68	13,524,742	3·62	— 1,610,678
1924	16,417,098	6·40	4,496,786	2·64	20,913,884	4·90	— 11,920,312
Total	25,748,573	3·85	20,913,046	4·42	46,661,619	4·08	— 4,835,527

The nature of this trade is a vague and changeable one. The extent of our commerce with this largest neighbouring country is rather small: the average percentage for the last two years is only 4·08%, which fact is to be explained by the wrong directed economic policy of that country, which affects not only the neighbouring countries, but causes great injury to Russia herself. However, the import from Soviet Russia increases with each year, but this is not caused by an augmentation of her productiveness, but owing to the fact that she is not in a position, to consume her own raw products. Later, we shall look over the resp. goods singly, and observe that, for large quantities of those exports, Soviet Russia herself stands in need of, as for instance the export of corn, whilst some districts are in a starving condition there.

Generally speaking, it cannot be expected that a regular commercial intercourse will be established in the near future, so long as the present economic policy remains unchanged. Undoubtedly, when economic life in Soviet Russia is rationally established,

this country should be one of the most productive and prosperous. There is no other country which owns so much natural wealth as Soviet Russia. The present policy there tends to decrease, but not to enlarge the economic and industrial life, and that is the principal reason for the comparatively small commerce with abroad.

In respect to our commerce with the *Scandinavian countries* (Denmark, Sweden, Norway) the situation is as shown by the following figures:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	11,151,032	11·90	1,275,744	3·26	12,426,776	9·35	— 9,875,288
1922	7,985,832	7·44	4,860,810	4·77	12,846,642	6·13	— 3,125,022
1923	12,355,278	5·83	8,310,168	5·13	20,665,446	5·53	— 4,045,110
1924	19,057,055	7·43	5,860,173	3·44	24,917,228	6·26	— 13,196,882
Total	50,549,197	7·55	20,306,895	4·29	70,856,092	6·20	— 30,242,302

Our commercial balance with these countries is entirely passive. It must be stated, that during the first year of our existence, the import from Scandinavia occupied one of the first places, as was the case during the war with all neutral countries, but after the war it decreased with each year. That is to be explained by Latvia having purchased the necessary products in the neighbouring countries, without entering into direct relations with the countries producers of the resp. goods. In such a manner we obtained transit-goods of the Scandinavian countries, they acting as mediators. Certainly, higher prices had to be paid, than we should have paid if bought direct from manufacturers, and, pecuniarily, we suffered greatly from this cause. During the following years, as is evident from the above table, the commerce with these countries decreases, as we receive the possibility of entering into direct relations with the countries producing. Lately, the commerce shows an increase again, but now we purchase local products from these countries such as live stock, agricultural products etc. The commercial relations with the Scandinavian countries are very brisk. It is to be hoped, that in future the commerce of Latvia will have a good outlook with these countries.

Now, letus proceed to our commercial relations with the United States of America:

Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	8,589,180	9·17	435,445	1·11	9,024,625	6·79	— 8,153,735
1922	7,415,921	6·91	1,414,600	1·39	8,830,521	4·22	— 6,001,321
1923	6,107,166	2·88	3,928,210	2·43	10,035,376	2·68	— 2,178,956
1924	10,367,605	4·04	3,854,095	2·26	14,221,700	3·33	— 6,513,510
Total	32,479,872	4·85	9,632,350	2·03	42,112,222	3·68	— 22,847,522

Commerce with America is not very lively, the average returns for the last four years being only 3·68% and nearly 23% of these returns refer to export. Our commercial balance respecting America remains passive, and probably will remain so for some time, taking into consideration our large import of agricultural and other machines from America. However, our commerce with America steadily increases, and therefore it may be anticipated, that after some years, rather extensive commercial relations will be established with America. We shall have to consider the table, showing the commercial development with other countries, in order to draw a more definite summary. These countries are: Holland, Austria, Switzerland, Italy, Dantzig, China, Spain, Boungaria, Portugal, Hungary, Yougo-Slavia, Roumania, Turkey, Argentine, Canada, Brazil, India, Palestine, Japan, Egypt and others:

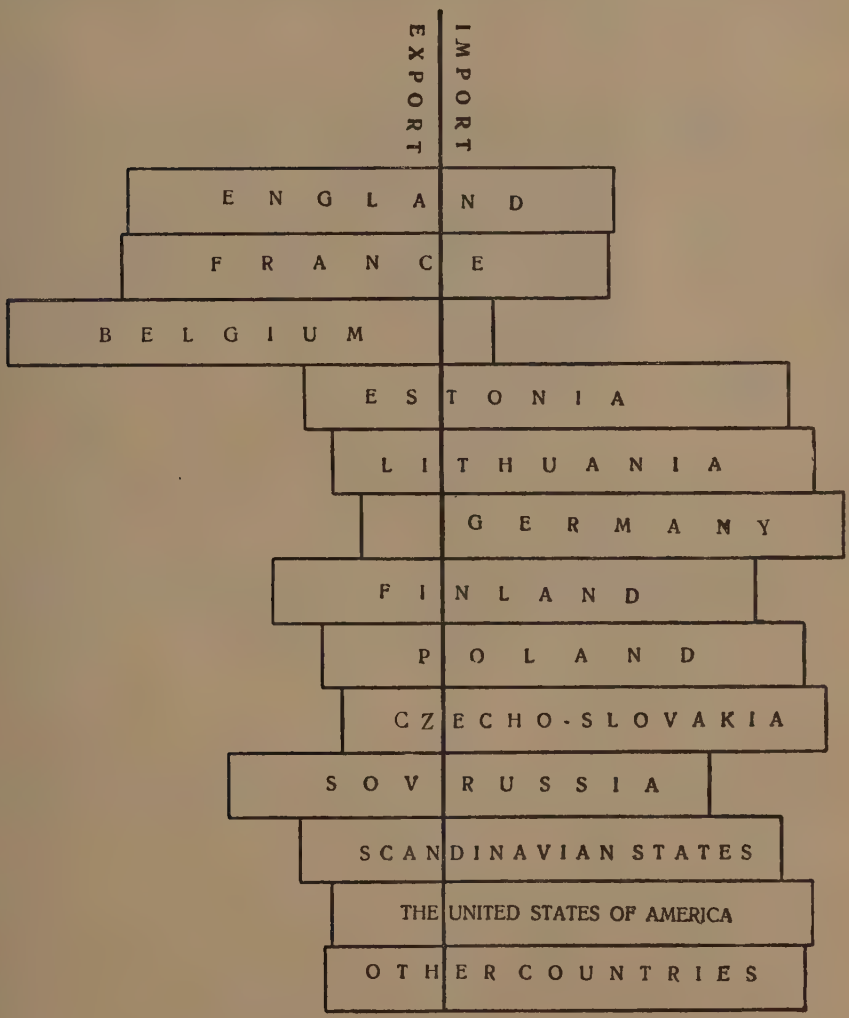
Years	Import Ls	Percent. of the total import	Export Ls	Percent. of the total export	Total import and export Ls	Percent. of the total sum	The preponderance of import (—) or export (+) Ls
1921	7,220,051	7·70	2,382,440	6·08	9,602,491	7·24	— 4,837,611
1922	9,978,847	9·29	4,066,187	3·98	14,045,034	6·71	— 5,912,660
1923	17,672,508	8·35	6,268,485	3·87	23,940,993	6·42	— 11,404,023
1924	22,387,980	8·73	6,478,914	3·78	28,866,894	6·76	— 15,909,066
Total	57,259,386	8·56	19,196,026	4·05	76,455,412	6·69	— 38,063,360

Also with these countries, the import considerably surpasses the export. The percentage of import is 75%. No wonder that we observe our trade balance passive, a fact which must be changed by all available means.

In contracting the above summaries, it will be of interest to show a table of the percentage relations of import and export for the last few years:

Countries	1921		1922		1923		1924		Total	
	Import %	Export %	Import %	Export %	Import %	Export %	Import %	Export %	Import %	Export %
England	48·98	51·02	32·83	67·17	32·49	67·51	36·86	63·14	35·59	64·41
France	53·29	46·71	25·53	74·47	22·39	77·61	44·54	55·46	33·19	66·81
Belgium	7·56	92·44	4·75	95·25	13·63	86·37	11·68	88·32	10·58	89·42
Esthonia	69·83	30·17	64·37	35·63	69·74	30·26	77·55	22·45	71·65	28·35
Lithuania	63·77	36·23	76·25	23·75	80·08	19·92	78·81	21·19	77·70	22·30
Germany	86·54	13·46	77·49	22·51	88·62	11·38	78·63	21·37	82·76	17·24
Finland	88·90	11·10	56·92	43·08	60·48	39·52	61·15	38·85	64·62	35·38
Poland	72·50	27·50	93·26	6·74	87·43	12·57	62·39	37·61	75·17	24·83
Czechoslovakia	99·86	0·14	99·06	0·94	75·54	24·46	77·63	22·37	79·31	20·69
Soviet Russia	39·84	60·16	19·20	80·80	55·95	44·05	78·50	21·50	55·18	44·82
Scandinavian countries	89·73	10·27	62·16	37·84	59·79	40·21	76·48	23·52	71·34	28·66
United States of America	95·17	4·83	83·98	16·02	60·86	39·14	72·90	27·10	77·13	22·87
Other countries	75·19	24·81	71·05	28·95	73·82	26·18	77·56	22·44	74·89	25·11
Total	70·52	29·48	51·28	48·72	56·67	43·33	60·05	39·95	58·56	41·44

Thus, our trade balance (taking the average during the last four years) is active only with England, France and Belgium, but respecting all other countries-passive. This state of things is more clearly expressed in the graphic diagram, given below, on which the space of the parallelograms to the left of the stroke indicates our export, whereas the space to the right is to indicate our import, to and from the resp. countries:



Export and Import of the Principal Goods.

Further, we shall consider the returns of the principal exports to different countries, during the last years, respecting their value. The principal exports of Latvia are: flax, timber, butter, meat, fish, glass, matches, linoleum, leather etc. and other animal products, paper and clover seed.

Flax occupies a most important place in our exports. In the following table it will be shown for what value and to which countries flax and linseed have been exported since 1921 (in lats):

Export

Countries	1921			1922	
	Raw flax	Spun flax*)	Linseed*)	Raw flax	Spun flax
Great Britain	2,026,851	—	240,530	5,669,637	—
Germany	4,820,054	59,792	391,830	3,694,944	735,248
Belgium	5,216,055	4,961	790,414	13,841,385	—
France	1,332,753	—	311,380	435,449	1,899
Lithuania	7,870	—	—	19	—
Denmark	238,693	—	—	10,440	—
United States of America	8,974	—	—	—	2,820
Sweden	126,797	8,810	—	286,758	3,876
Dantzig	83,209	—	—	30,192	—
Poland	1,128	—	—	6,648	—
Russia	—	—	3,110,599	115	—
Finland	—	—	—	16,860	—
Esthonia	—	—	—	—	1
Holland	—	—	—	11,100	—
Other countries	—	—	9,992	—	—
Total	13,862,384	73,563 kg. for Ls 255,309	4,854,745 kg. for Ls 3,850,211	24,003,547	743,844

*) The data concerning spun flax and linseed for 1921 are indicated only in kilograms.

All the flax is exported as raw products, or in a semiprepared condition, whereas our woven flax is nearly all retained for home consumption. As it can be clearly seen from the table, our flax export increases with every year, but, here we should like to point out the difference in the prices for flax between 1920, and the present, and then the actual increase will be seen better, when we note prices in relation to the quantities exported. In 1920 raw flax, flax yarns and linseed were exported as follows: 8,746,829 kg., in 1921 — 6,264,454 kg., in 1922 — 27,469,298 kg., in 1923 — 33,601,797 kg. and in 1924 — 39,147,918 kg. These data prove that since 1922 the flax export steadily increases.

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1912	1923			1924		
Linseed	Raw flax	Spun flax	Linseed	Raw flax	Spun flax	Linseed
1,966,219	11,433,759	282,424	2,519,768	14,675,427	766,322	2,198,593
400,833	3,649,671	165,225	458,385	8,907,433	1,121,547	1,178,456
1,757,831	21,699,763	1,188,684	1,075,237	19,429,364	620,919	3,303,286
350,298	2,821,304	457	356,727	838,863	33,040	1,978,810
—	70	—	124,500	—	69	2,224
44,264	13,296	87,374	—	31,285	—	2,346
—	—	180	—	67,800	—	—
—	119,881	7,121	1,980	—	4,138	19,629
—	—	4,009	—	—	6,780	—
—	9,090	6,339	4,800	—	32,477	—
—	48	62	—	1,800	2,100	95,037
298,541	—	—	77,074	—	—	346,905
—	23,481	—	—	—	—	105,278
90,166	—	—	77,226	165,345	—	468,735
100,226	47,067	—	39,801	13,409	—	28,348
5,008,378	39,817,430	1,741,875	4,735,498	44,130,726	2,587,392	9,727,647

As the next export article, we shall consider timber, which is also chiefly exported as raw material. Timber helds the second place in our exports. The export value of timber for the last years is illustrated in the following table (in lats):

Countries	1921*)					1922		
	Boards & planks	Sleepers & props	Paper wood	Splints for matches	Total	Boards & planks	Sleepers & props	Paper wood
Great Britain	52,943,470	55,197,801	3,958,931	119,616	112,219,818	14,299,407	5,580,362	396,504
Holland	2,025,080	4,441,887	69,584	—	6,536,551	605,337	332,286	22,556
Belgium	6,488,724	72,975	3,833	—	6,565,532	3,708,711	650	—
Denmark	92,317	78,132	—	329,512	499,961	59,696	—	—
Sweden	86,027	—	—	—	86,027	3,918	18,097	—
Germany	1,101,591	4,239,007	3,847,278	439,625	9,627,501	652,162	102,923	1,590,107
France	4,762,051	—	—	1,470,653	6,232,704	2,777,302	32,184	10,269
Esthonia	3,319	—	—	—	3,319	144	—	—
Lithuania	59,378	211,388	—	—	270,766	19	—	—
Finland	52,121	—	—	—	52,121	5,449	—	—
Dantzig	—	74,195	—	—	74,195	177,285	—	39,902
Norway	—	471,449	—	85,964	557,413	201,808	—	—
Spain	—	—	—	—	—	2,234	—	—
Africa	97,053	—	—	—	97,053	183,454	—	—
United States of America	6,224	1,072,285	—	—	1,078,509	385	—	—
Other countries	845,897	196,074	—	—	1,041,971	18,537	—	—
Total	68,563,252 kg. for Ls 6,724,076	66,055,193 kg. for Ls 4,922,369	7,879,626 kg. for Ls 204,739	2,445,370 kg. for Ls 511,286	144,943,441 kg. for Ls 12,362,470	22,695,848	6,066,502	2,059.338

*) The data for 1921 are registered only as quantity (in kilograms) but for the other years as

The figures in the above table relate only to the export of rough timber or semi-worked timber. It is to be pointed out, that the export of timber products increases gradually. In 1921 such products of our timber industry were exported for Ls 13,875, in 1922 — for Ls 167,054, in 1923 — for Ls 325,573 and in 1924 — for Ls 311,709.

They are chiefly exported to England, Belgium, Esthonia and Lithuania. The export of timber respecting quantity is to be seen from the following figures (rough timber, semi-worked and manufactured articles): in 1920 — 10,264,664 kg., in 1921 —

1922		1923					1924				
Splints for matches	Total	Boards & planks	Sleepers & props	Paper wood	Splints for matches	Total	Boards & planks	Sleepers & props	Paper wood	Splints for matches	Total
69,238	20,345,511	31,178,161	6,604,186	955,457	10,994	38,748.798	32,892,593	4,656,064	455.033	192,744	38,196,434
—	960,179	945,160	258,398	797,871	15,015	2,016,444	1,589,207	486,836	598,210	—	2,674,253
52,252	3,761,613	5,168,436	889,254	76,911	89,525	6,224,126	4,634,291	1,835,558	87,392	192,025	6,749,266
37,620	97,316	257,949	—	—	37,503	295,452	127,406	—	—	92,841	220,247
—	22,015	16,473	—	—	—	16,473	19,626	—	—	—	19,626
219,882	2,565,074	382,397	379,086	1,738,660	391,080	2,891,223	389.529	—	2,550,379	458,770	3,398,678
248,616	3,068,371	2,649,305	1,139,580	818,821	19,309	4,627,015	1,350,936	117,881	137,856	335,838	1,942,511
—	144	157,191	788	230	—	158,209	98,656	—	—	—	98,656
—	19	4,661	28,541	69,980	5,644	108,826	25	4,124	31,680	—	35,829
—	5,449	1,359	—	—	—	1,359	—	—	—	—	—
—	217,187	116	—	—	—	116	—	—	—	—	—
—	201,808	393,944	—	121,645	—	515,589	—	—	—	—	—
—	2,234	—	—	—	—	—	—	—	—	—	—
—	183,454	656,896	88,809	—	—	745,705	163,798	—	—	—	163,798
—	385	325	—	—	4,460	4,785	79,038	—	—	193	79,231
—	18,537	352,939	—	—	4,470	357,409	60,590	9,899	—	20,407	90,896
627,608	31,449,296	42,165,312	9,388,642	4,579,575	578,000	56,711,529	41,405,695	7,110,362	3,860,550	1,292,818	53,669,425

value in lats.

191,895,912 kg., in 1922 — 442,426,459 kg., in 1923 — 767,978,389 kg. and in 1924 — 647,250,373 kg. There is a steady increase, the last year excepted, by reason of a rather wet winter-season in 1923/1924, with a thickness of snow, therefore it was very difficult to convey the logs from the forests, especially in the lowlands.

A notable place in our export is occupied by food products, especially butter, meat and fish, the latter being exported tinned. The export of these food articles is shown in the following table (in lats):

Countries	1921*)			1922	
	Butter	Meat	Fish	Butter	Meat
Great Britain	8,127	1,332	4,709	1,990,041	305,181
France	—	133	275	—	30,853
Denmark	1,759	361	17,121	589,117	44,781
Holland	—	—	52	25,672	4,057
Germany	—	982	75,088	29,221	20,483
Belgium	—	—	514	11,514	2,560
Lithuania	—	—	214,007	24	403
Russia	—	81	24,926	1,104	26,485
United States of America	—	—	40,982	22	—
Esthonia	—	—	558	53	8,125
Norway	60	90	—	678	32,431
Sweden	61	5,624	9,006	34,300	48,920
Poland	—	—	65,430	9	8
Dantzig	—	—	12,502	50	—
Finland	—	—	—	—	189
Czechoslovakia	—	—	—	7,626	—
Switzerland	—	—	—	—	3,516
Palestine	—	—	—	—	—
Other countries	—	—	17,460	16,102	2
Total	10,007 kg. for Ls 40,490	8,603 kg. for Ls 14,960	482,630 kg. for Ls 436,075	2,695,533	527,994

*) The data for 1921 are indicated in kilograms.

During the first two years the export of food products was rather limited, in view of the fact that in 1920 we were still warring with Russia, which fact impaired our economic life, as entire districts were occupied and our best agricultural workers in the army. Of course these troubles could not but retard the development of our economic life, and after they had ceased a long time was necessary to recover, from which cause, in the following year, we were able only to supply our home consumption. It is obvious that the products of 1921 by far exceeded the quantity of the preceding year, but only fish, raw and tinned, could be exported, and nothing more.

With the following year the export visibly increased, especially regarding butter, when stricter care and attention was paid to cattle breeding and dairy-farming. Reviewing the exported quantities of food products, we observe that for our products we have

1922	1923			1924		
Fish	Butter	Meat	Fish	Butter	Meat	Fish
2,708	6,347,414	864,010	46,808	4,911,722	938,429	32,169
7,253	22,669	139,544	3,988	15,712	4,158	37,476
10,201	2,172,234	152,032	9,253	1,990,458	6,370	6,489
66	20,029	110,484	1,006	16,433	38,014	—
25,207	198,098	48,531	72,096	6,150,734	163,738	97,934
1,566	—	14,744	—	—	246	7,661
65,251	8,239	8,494	165,625	19,944	2,393	74,363
433,278	741	6,369	284,247	816	2,601	101,688
71,063	2,300	353	230,814	—	—	48,752
1,204	41	44	1,577	6	115	—
—	72,546	13,290	—	3,288	115	—
14,780	206,863	114	30,646	3,873	1,018	32,210
34,635	—	90	37,118	330,350	18,981	244,314
19,782	—	—	4,415	—	4	1,846
517	—	—	—	—	—	—
5	209,098	86	1,444	52,134	538	3,185
—	—	9,532	17,365	—	425	51
3,593	—	—	—	—	660	7,169
109	10,792	10,181	8,751	—	719	15,912
691,218	9,271,064	1,377,898	915,153	13,495,470	1,178,524	711,219

always many buyers. So, in 1924 were exported tinned fish — 233,001 kg., raw fish 1,049,077 kg., butter — 3,525,653 kg. and meat 832,356 kg. In 1924 were exported 629,201 kg. fruit for Ls 208,785, 44,245 kg. eggs for Ls 87,115, 89,874 kg. brandy and liqueurs for Ls 220,888, 2,701,589 kg. barley for Ls 630,814, 4,652,212 kg. oats for Ls 945,118, 267,608 kg. peas for Ls 59,170, 441,529 kg. vetches for Ls 123,132, 471,052 kg. oilcake for Ls 115,181, 3,323,229 kg. bran for Ls 473,637 and 9,537 kg. tobacco and tobacco products for Ls 40,332. Also all these products considerably surpass the quantities exported in the preceding year.

Next we shall contemplate our *export of animal products,* which is also a very important item in our trade. The following table will better illustrate the actual position:

Foreign and neighbouring countries	1921*)					1922		
	Prepared and raw skins	Bristles	Calf's rennet	Gut	Total	Prepared and raw skins	Bristles	Calf's rennet
England	1,755	908	—	—	2,663	151,509	37,662	6,009
Holland	—	—	—	491	491	—	964	1,310
Belgium	115	667	—	—	782	21,841	11,105	—
France	9,028	1,887	—	—	10,915	65,174	209,012	—
Denmark	2,102	89	5,232	2,552	9,975	98,763	13,755	10,399
Sweden	35	5,154	999	—	6,188	232	28,314	2,296
Germany	24,605	28,058	450	20,101	73,214	779,246	142,263	15,511
Lithuania	13	11,823	—	106	11,942	9,979	83,066	—
Soviet Russia	6,984	—	—	—	6,984	844.185	7	—
America	9,332	451	—	215	9,998	1,141,282	21,170	180
Esthonia	3,611	—	573	2,558	6,742	120,230	—	—
Finland	—	55	—	442	497	2,891	4,497	—
Dantzig	123	2,231	—	—	2,354	47,927	—	—
Poland	—	—	—	—	—	4,545	—	—
Other countries	3	—	—	—	3	2,748	—	—
Total	57,706 kg. for Ls 339,982	51,323 kg. for Ls 285,646	7,254 kg. for Ls 37,110	26,465 kg. for Ls 37,820	142,748 kg. for Ls 700,558	3,290,552	551,815	35,705

*) The figures for 1921 are in kilograms.

Animal products, like our other articles of export, are going out for the greater part as raw or semi-prepared produce, as our production of manufactured or finished articles is comparatively small, though not diminishing.

The value of our export of manufactured animal products in 1922 was

Countries	1921*)					1922		
	Glass	China and porcelain	Oil	Matches	Linoleum	Glass	China and porcelain	Oil
Great Britain	22,703	82	340	—	—	40,812	—	—
Holland	—	—	—	—	—	321	—	—
Denmark	—	87	—	—	—	11,828	20	—
Sweden	100,196	82	—	—	—	389	84	—
Germany	22,389	238	—	16,650	—	10,427	—	—
Lithuania	229,426	4,281	—	8,006	—	37,070	—	—
Esthonia	298,595	88,475	—	—	—	186,482	48,705	—
Norway	246,250	—	—	—	—	—	—	—
Poland	—	6,585	—	—	—	—	14,650	—
Dantzig	17,140	7,963	—	197	—	3,389	6,948	—
Belgium	—	—	—	—	—	—	—	—
Russia	—	—	—	—	—	355	74	—
Finland	—	—	—	—	—	—	9,667	—
France	—	—	—	—	—	—	—	—
Turkey	—	—	—	—	—	—	—	—
Roumania	—	—	—	—	—	—	—	—
United States of America	—	—	—	—	—	—	—	—
Czechoslovakia	—	—	—	—	—	—	—	—
Other countries	—	—	—	15	—	—	—	—
Total	936,699 kg. for Ls 268,402	107,793 kg. for Ls 144,958	340 kg. for Ls 752	24,868 kg. for Ls 121,502	—	291,073	80,148	—

*) The figures for 1921 are in kilograms.

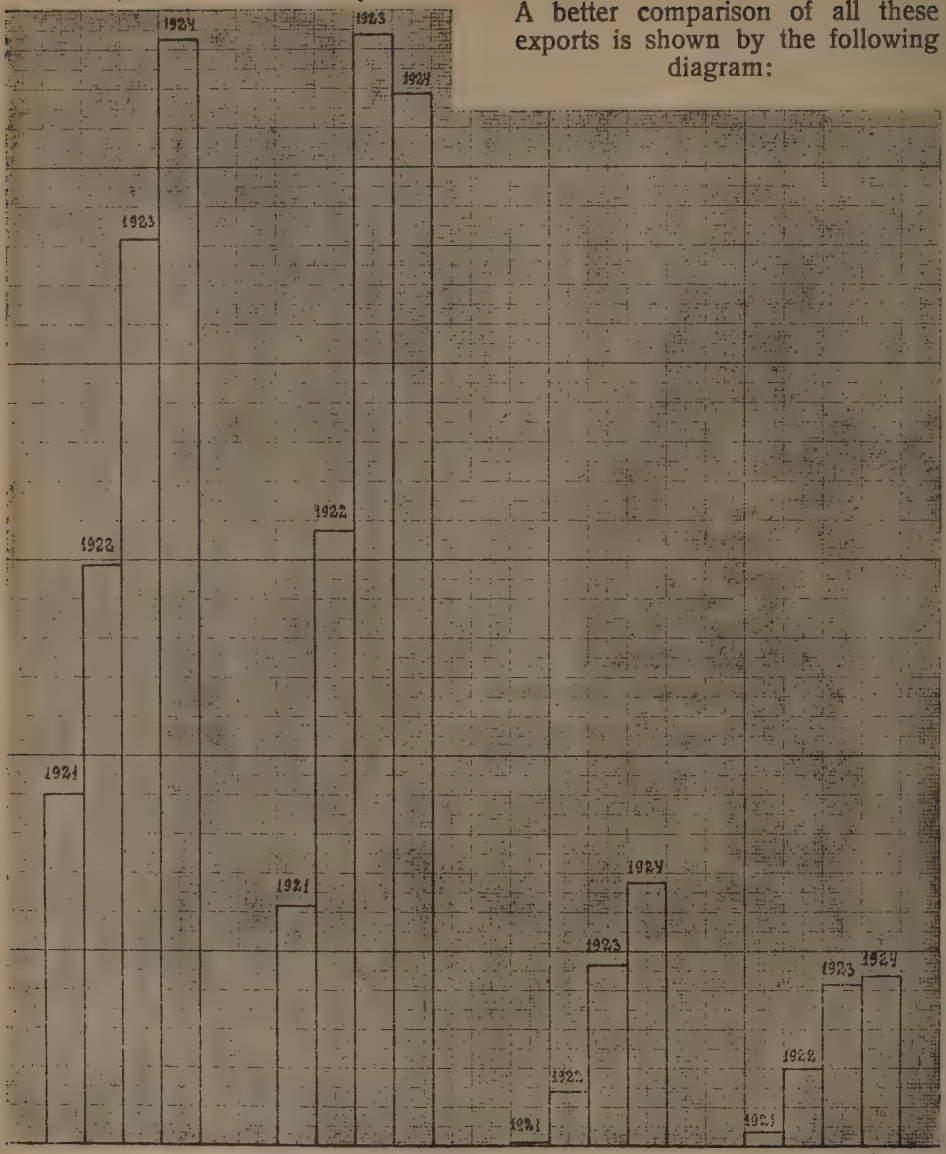
Lats 266,891, in 1923 Lats 177,059, but in 1924 Lats 249,248. Such articles of our manufacture find a ready market in Lithuania, Russia, Poland, Esthonia and partly also in England.

1923							1924				
Gut	Total	Prepared and raw skins	Bristles	Calf's rennet	Gut	Total	Prepared and raw skins	Bristles	Calf's rennet	Gut	Total
43,356	238,536	314,406	80,331	—	27,083	421,820	485,978	43,294	4,667	12,583	546,522
—	2,274	73,192	1,108	—	4,202	78,502	152,498	—	1,528	480	154,506
—	32,946	13,524	6,702	—	40	20,266	167,167	27,844	—	—	195,011
—	274,186	217,576	292,215	16,520	—	526,311	123,902	393,326	74,083	—	591,311
1,116	124,033	534,883	25,950	13,399	7,910	582,142	295,030	96,984	54,220	5,023	451,257
1,142	31,984	445	46,189	2,400	—	49,034	—	4,829	—	—	4,829
46,927	983,947	1,323,953	275,739	23,725	56,942	1,680,359	2,011,861	144,424	23,038	240,186	2,419,509
—	93,045	69,074	163,146	—	—	232,220	45,290	21,837	—	2,168	69,295
—	844,192	263,965	61	—	—	264,026	462,788	164	—	—	462,952
2,102	1,164,734	3,403,686	2,326	600	46,204	3,452,816	3,102,427	7,457	—	81,852	3,191,736
6,856	127,086	40,461	—	—	24,879	65,340	125,997	1,859	—	41,278	169,134
2,964	10,352	39,090	—	—	13,018	52,108	370	5,656	—	107,659	113,685
—	47,927	2,750	39,122	—	—	41,872	1,580	—	—	10,947	12,527
—	4,545	580,454	—	—	—	580,454	249,157	7,738	80	9,197	266,172
—	2,748	166,053	35,221	3,600	901	205,775	26,609	23,142	9,973	3,700	63,424
104,463	3,982,535	7,043,512	968,110	60,244	181,179	8,253,045	7,250,654	778,554	167,589	515,073	8,711,870

Furher let us contemplate the export of mineral and chemical products, as glass, porcelain and earthenware, oil, matches and linoleum. The export of these goods for the last years is shown in the following table (in lats):

1923							1924				
Matches	Linoleum	Glass	China and porcelain	Oil	Matches	Linoleum	Glass	China and porcelain	Oil	Matches	Linoleum
152,560	6,041	135,963	—	—	491,737	27,808	29,919	—	100,098	358,536	—
231	3,586	81	—	—	—	13,916	—	—	—	—	101,473
—	141,148	6,874	—	—	3,645	12,806	—	—	143	—	24,865
—	112,197	—	—	—	3,670	537,865	—	—	37,511	52,100	953,349
—	—	1,430	1,660	—	6,517	1,916	3,323	3,577	92,309	289	—
—	4,813	160,914	15,469	—	141	15,470	70,305	4,195	501	10,881	16,557
—	16,156	211,125	82,817	—	—	78,651	98,023	55,364	26,500	7,700	45,835
—	—	—	—	—	—	5,524	—	—	—	—	—
20	22,694	—	14,411	—	—	49,973	—	6,033	23,732	—	403,089
—	13,597	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	740	—	—	39,290	960	30,922
2,566	—	66	21	—	3,044	1,412	162	4	—	711	10,072
—	75,538	—	—	—	42,963	90,538	—	—	—	215,295	144,527
—	—	—	—	—	59,220	—	—	—	44,391	129	—
—	—	—	—	—	—	70,788	—	—	—	—	160,459
—	—	—	—	—	—	42,639	—	—	—	—	179,755
—	—	—	—	—	—	269	—	—	—	366,660	17,623
—	—	—	—	—	—	—	—	—	—	—	125,667
—	1,711	—	—	—	19,738	54,752	8,788	9,683	7,428	1,547	115,093
155,377	397,481	516,453	114,378	—	630,675	1,005,067	210,520	78,856	371,903	1,014,808	2,329,286

A better comparison of all these exports is shown by the following diagram:



Flax, spun flax and linseed.

Timber (boards and planks).

Butter.

Animal products (skins, bristles, calf's rennet and gut).

Regarding train oil, it must be said that it was exported also before 1924, only in smaller volume, but reliable figures are not available for the preceding years. Matches and linoleum will, in the near future, become most important items of our export, if we are to be guided by the resp. figures for the last year. So, for instance in the year 1922 — 213,081 kg. of linoleum were exported, in 1923 — 727,181 kg., but in 1924 already 1,764,163 kg. The figures for match-export are, in 1921 — 24,868 kg., 1922 — 205,417 kg., 1923 — 1,091,082 kg., but in 1924 — 1,359,679 kg. For the other export articles of our mineral and chemical industries, opportunities for progress, at least for the present time, are less favourable.

Of not less importance is our *Paper industry,* for large quantities of this produce are exported, the development is continuously progressing and the manufacture is of good renown with our neighbours, also in the markets of Western Europe, as our paper is of high quality and well appreciated, and can fully compete with the produce of other countries.

The number of paper mills here in 1923 was 21 (each employing over 50 hands), whereas in 1921 the number was only 17.

The increase of our export of paper and polygraphic produce is shown by the following figures (in lats):

Exported to:	1921	1922	1923	1924
England	129,494	235,003	608,206	1,402,496
Denmark	3,460	20,898	1,121	23,508
Sweden	4,183	1,868	14,397	39,270
Germany	38,124	76,906	186,537	426,249
Russia	1,301	227,368	580,767	1,521,502
Lithuania	101,267	120,182	78,720	52,096
Esthonia	91,537	235,715	98,297	25,540
America	265	1,409	78,587	6,159
Dantzig	3,203	18,624	20,728	—
Poland	2,999	6,948	4,264	—
Finland	78	8,000	3,726	—
Switzerland	45	—	—	—
Czechoslovakia	349	—	—	4,332
Belgium	—	3,406	63,281	58,212
France	—	810	238	—
Holland	—	464	146	14,917
Other countries	44	22	15,599	30,253
Total	376,349	957,623	1,754,614	3,604,534

Finally let us again look over the figures in the following table respecting our export of clover seed (in lats), as this is also a sufficiently important item in our export trade, especially considering its being a strictly agricultural product.

	1921*)	1922	1923	1924
Denmark	89,688	283,618	305,041	215,592
Germany	14,526	944	79,796	86,397
Finland	23,403	—	—	15,351
Sweden	10,229	—	50,566	1,763
Russia	—	64,623	120	638
Esthonia	—	54,191	13,234	15,733
Other countries	—	—	80	61,799
Total	137,846 kg. for Ls 102,618	403,376	448,837	397,273

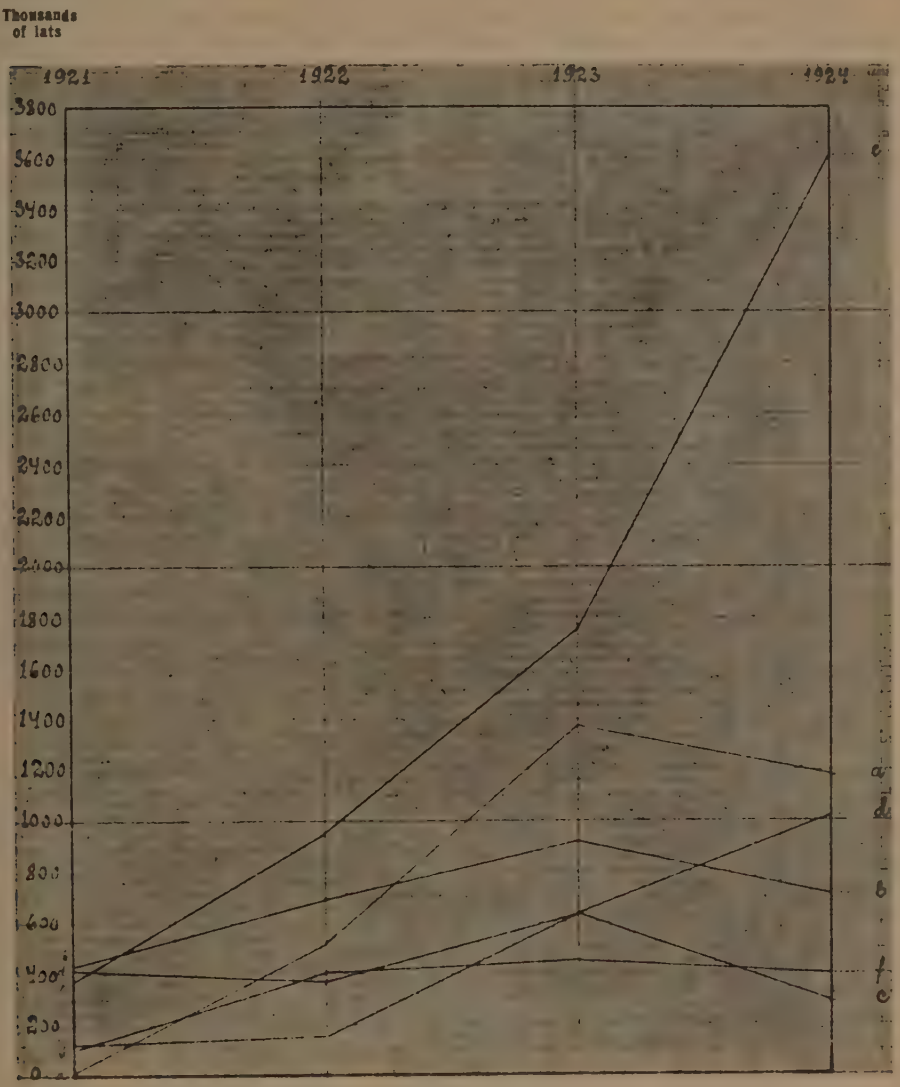
*) The figures for the year 1921 are in kilograms.

The decrease in the exports of clover seed in 1924 can be fully explained by the impoverished crop of the preceding year, which caused great losses in our husbandry.

Taking the whole of our exports together, we see that the quantity of exported goods is steadily increasing with every new year. Of course, everything possible should be done to improve this state of things still more, in order to make our trade balance more active. We are glad to state, that, in the course of these last years our ability to produce has strongly increased. Taking as an average the figure 100 for our chief export articles for the year 1924 the following table will show the gradual development of production in each branch of our industry:

	1921	1922	1923	1924
Flax and flax yarns	31	56	94	100
Linseed	—	51	49	100
Boards and planks	16	55	102	100
Sleepers & props	69	85	132	100
Paper wood (papier machè)	5	53	119	100
Splints for matches	40	49	45	100
Butter	0,3	20	69	100
Meat	1	45	117	100
Fish	61	97	129	100
Glass	127	138	245	100
Porcelain and china	184	102	145	100
Matches	12	15	62	100
Linoleum	—	17	43	100
Leather	5	45	97	100
Bristles	37	71	124	100
Calf's rennet	22	21	36	100
Gut	7	20	35	100
Paper	10	27	49	100
Clover seed	26	102	113	100

The development of export transactions of our home produce is illustrated by the following diagram:



a — meat
b — fish
c — glass and earthenware
d — matches
e — paper
f — clover seed

We see that with the exception of the year 1924 our export activities are steadily developing. The decrease in 1924 respecting timber, meat, fish, glass, china and clover seed, is partly explained by a lack of demand for these articles, partly also by the impaired crop of the preceding year (1923). Our industry, not having as yet sufficiently developed, the greater part of our produce is leaving our ports as raw material or as semi-worked products, whereas as ready manufactured articles we can export only glass, matches, paper and linoleum.

Now let us look over **the imports of Latvian** in the same order.

The chief products of import are: Wool, Cotton, Iron in various forms, Engines, Minerals, Animal products, Chemical and Pharmaceutical products, food-stuffs and animals, in respect to which we can give the following details for better illustration.

First let us note our wool and cotton imports, the values of which in relation to the different countries of origin or transit, are given in the following table (in lats):

Countries	1921 *		1922		1923		1924	
	Wool	Cotton	Wool	Cotton	Wool	Cotton	Wool	Cotton
Denmark . .	17,959	10,956	87,978	478,738	213,681	385,268	309,590	664,766
England . . .	72,015	178,516	1,403,563	2,526,889	3,303,901	3,443,738	5,076,338	6,311,212
Germany . . .	74,586	291,225	1,750,830	4,411,877	4,600,167	9,563,867	5,297,412	8,111,126
Sweden	2,674	5,702	1,176	19,029	1,423	14,737	79,329	28,489
Norway	—	8,409	9,089	181,737	8,755	88,297	13,444	91,055
Dantzig	337	13,624	87,392	597,584	22,770	485,768	7,071	321,277
America . . .	10,951	22,873	5,305	22,649	10,447	1,969	1,185	21,018
France	22,459	4,660	340,196	88,378	630,171	165,152	636,639	567,606
Belgium . . .	39,947	10,017	400,879	51,951	1,575,434	142,074	1,168,783	192,620
Esthonia . . .	7,744	85,810	24,955	1,307,990	176,347	2,535,314	258,330	4,291,518
Holland . . .	—	954	41,754	19,020	261,902	4,495	665,963	971,715
Poland	372	5,048	344,969	1,223,015	1,342,787	3,331,589	1,282,827	2,220,016
Other countr.	6,205	30,902	60,279	447,608	505,978	1,042,943	1,059,991	3,079,806
Total	255,249 kg. for Ls 2,133,182	668,696 kg. for Ls 5,757,006	4,558,365	11,376,465	12,653,763	21,205,211	15,856,902	26,872,224

*) For 1921 the figures are in kilograms.

The manufacture of wool and cotton articles is increasing with every new year.

The import of wool (not taking into account cotton) is rather heavy, or too heavy for our country, especially in view of the fact, that we ourselves are manufacturing woolen materials of rather good quality from our own wool. The import of wool ought to be restricted, if we wish to attain a more active commercial balance in this branch, and we should do better to consume more of our home-spun cloth.

Unquestionably it would be wiser, to restrict the import, as far as possible, of all those articles which can be manufactured at home, of sufficiently good quality, and taking into consideration the required quantity.

As to the imported quantities of wool and cotton, the figures are as follows:

in 1920	wool	101,441	kg.	and cotton	196,838	kg.
1921	„	255,249	„	„ „	668,696	„
1922	„	622,999	„	„ „	1,416,640	„
1923	„	1,466,577	„	„ „	2,374,256	„
but in 1924	„	1,567,417	„	„ „	3,031,813	„

increasing systematically every year.

The following table shows the imports for our *metal industry* (Iron, wire, sheet-metal, different machinery etc. in lats):

From countries	1921*)		1922		1923		1924	
	Iron, wire and sheet metal	Agricultural & Industrial machinery	Iron, wire and sheet metal	Agricultural & Industrial machinery	Iron, wire and sheet metal	Agricultural & Industrial machinery	Iron, wire and sheet metal	Agricultural & Industrial machinery
Germany	3,838,463	4,872,067	1,992,350	4,453,696	2,493,703	12,661,518	3,263,718	10,658,092
England	263,647	42,397	386,703	703,399	861,016	1,849,115	1,043,031	1,464,079
Holland	3,726	882	80,050	9,180	252,402	288,963	265,200	28,145
Denmark	10,601	60,808	58,059	248,234	50,771	706,270	30,767	594,838
Norway	—	1,600	12,354	224	—	187,995	1,600	85,634
Sweden	23,668	128,641	20,728	218,047	107,298	1.452,102	198,635	2,123,548
Finland	22,915	97,819	694	75,726	196	75,528	—	139,766
Czecho-Slovakia	—	177,352	29,274	233,868	107	109,849	110,132	158,534
Austria	3,890	61,692	—	45,315	786	205,783	5,129	319,943
France	—	6,215	12,563	49,032	11,472	41,171	26,768	47,427
Belgium	10,103	15,831	87,858	500	486,370	122,521	511,565	12,677
Switzerland	9	115	—	1,080	9,103	138,372	6,407	427,904
Esthonia	—	45,998	283	83,194	7,542	60,176	13,773	259,768
Lithuania	—	7,044	5,973	16,314	1,086	97,864	19,971	21,447
Poland	—	13,091	411	83,642	11,778	1.085,097	110	167,128
America	2,510	39.846	135	701,631	368	928,850	530	1,572,173
Dantzig	101	38,445	25,788	34,418	370	30,015	—	—
Russia	22,250	—	1,200	20,530	1,200	195,595	—	—
Other countries	—	5,212	4,610	—	—	17,180	77,003	55,962
Total	4,201,883 kg. for Ls 1,508,568	5,615,055 kg. for Ls 7,855,931	2,719,033	6,978,030	4,295,568	20,253,964	5,574,339	18,147,065

*) For 1921 the figures are given in kilograms.

The imports for the needs of our Metal industry are of exceedingly great importance to us. That industry suffered most from the war and the ensuing revolution. Before the war we had important enterprises in this branch at Rīga, Liepāja and Ventspils, where still, large buildings, erected for this industry, stand unoccupied, and which need only a little repairing to be again ready for use, and capital to re-commence business. There is no doubt that we are progressing also in this branch of our industry, and, by the help of our own means, but as yet it is a curtailed manufacturing, so that the produce never meets the demand and we are compelled to import the greater part of our agricultural machinery and implements from abroad, principally from Germany.

The quantities imported were as follows:

in 1920— 344,979 kg., iron, wire & sheet metal, 1,880,473 kg. machinery
„ 1921— 4,201,883 „ and 5,615,055 kg.
„ 1922—13,380,777 „ „ 10,827,689 „
„ 1923—18,694,682 „ „ 15,019,737 „ but
„ 1924—18,078,963 „ „ 10,357,670 „

The following table shows the imports of *paper* and *cellulose* (in lats):

From countries	1921*)		1922		1923		1924	
	Paper	Cellulose	Paper	Cellulose	Paper	Cellulose	Paper	Cellulose
Germany	772,392	422,992	327,006	42,635	837,791	389,226	780,340	100,716
England	3,946	—	2,824	—	8,612	94	13,452	—
Holland	7	—	—	—	512	—	5,190	12,185
Denmark	6,212	—	20,005	—	25,127	30	13,407	—
Norway	—	—	—	39,770	—	—	—	—
Sweden	25,808	—	910	52,323	10,326	47,841	8,174	—
Finland	380,336	63,699	179,595	71,143	64,309	63,694	102,138	299,031
Czecho-Slovakia	—	—	3,718	—	112	—	1,829	2,654
Austria	—	—	369	—	5,106	—	11,680	—
France	—	—	1,617	—	13,690	—	29,238	677
Belgium	—	—	751	—	6,951	—	40,508	—
Switzerland	—	—	—	—	35	—	4,302	—
Esthonia	149,436	—	32,261	85,067	43,023	—	8,801	—
Lithuania	—	—	116	—	873	—	4,142	4,224
Poland	274	—	10,545	2,733	19,132	—	17,328	—
America	8	—	98,314	—	4,884	—	—	—
Dantzig	8,367	61,222	14,221	2	896	—	—	—
Russia	—	—	3	—	31	—	—	—
Other countries	342	—	—	—	35	—	30,442	—
Total	1,347,128 kg. for Ls 1,358,467	547,913 kg. for Ls 58,302	692,255	293,673	1,041,445	500,885	1,070,971	419,487

*) The figures for 1921 stand for kilograms.

As to quantity, the imports of paper were as follows, cellulose included:

in 1920—2,742,831 kg.
„ 1921—1,895,041 „
„ 1922—2,182,443 „
„ 1923—2,943,677 „ and
„ 1924—2,039,395 „

We see that the import is very slowly increasing, and even in 1924 it decreased, which is due to the more efficient production of our home paper industry. As mentioned in our review of exports, our paper products are of rather high quality, so that we can compete with foreign manufactures and export a part of our produce, but the greater part is to supply our home demand, and only that part, which could not as yet be supplied by our home industry, had to be provided by import.

The following table shows the imports of *animal products* (in lats for 1921 in kilograms):

From countries	1921		1922		1923		1924	
	Raw and tanned hides	Animal fat	Raw and tanned hides	Animal fat	Raw and tanned hides	Animal fat	Raw and tanned hides	Animal fat
Germany	760,604	332,470	3.820,209	683,910	6,757,359	691,665	4,443,724	542,371
England	637,845	245,313	485,452	500,449	324,731	484,511	125,266	526,128
Denmark	41,913	154,104	224,839	209,022	54,563	400,736	34,612	512,629
Sweden	94,089	2,195	85,132	3,254	58,471	—	6,416	26,024
Dantzig	13,900	85,405	24,825	3,532	4,070	14,627	5,061	2,934
Norway	112	623,362	10	9,603	15,747	20,981	3,638	12,175
America	16,022	216,777	88,090	517,531	251,190	511,887	111,261	459,829
Holland	12,244	4,462	314,988	69,464	556,015	96,649	716,031	178,747
France	70,852	608,000	381,205	—	433,081	—	241,915	—
Lithuania	6,943	16	84,098	28	41,327	191	15,559	4,200
Belgium	1,615	—	50,215	—	138,580	663	64,936	2,719
Poland	40	—	15,954	—	84,506	—	229,176	—
Esthonia	6,106	19,792	46,728	4	31,926	2,033	43,668	8,126
Finland	2,898	—	182	—	2,506	—	3,820	—
Russia	47	—	8,436	—	75,405	500	—	—
Czecho-Slovakia	23	—	37,322	—	37,355	—	10,918	—
Switzerland	2,368	—	338	—	24,862	—	29,702	1
Other countries	12,824	6,922	13,572	—	31,105	546	148,687	15,372
Total	1,680,445 kg. for Ls 7,131,683	2,298,818 kg. for Ls 2,842,509	5,681,595	1,996,797	8,922,799	2,224,989	6,234,390	2,291,255

The import of animal products holds an important place with us and increases each year.

The quantities imported were:

1920—1,313,660	kg.	various	hides	and	47,191	kg.	animal	fats
1921—1,680,445	„	„	„	„	2,298,818	„	„	„
1922—1,963,494	„	„	„	„	1,814,293	„	„	„
1923—2,704,807	„	„	„	„	2,025,549	„	„	„
1924—1,458,093	„	„	„	„	2,115,554	„	„	„

The imported animal fat is chiefly used for industrial purposes.

The following table shows the import of *cement, naphtha, glass*

From countries	1921				1922		
	Cement	Naphtha	Glass	China and porcelain	Cement	Naphtha	Glass
Germany	1,347,076	29,801	352,494	97,528	157,058	1,249,403	255,414
England	—	1,037	99	—	—	2,553	424
Denmark	—	—	7,009	1,601	9,075	21,591	2,097
France	—	—	29	—	—	1,790	4,359
Belgium	—	—	—	20	—	—	27,226
Sweden	—	—	101	—	—	6,755	329
Finland	—	—	12,150	—	—	—	7,739
Czechoslovakia	—	—	3,772	—	—	—	44,662
Esthonia	404,694	—	11,381	—	81,923	—	19
Poland	—	748,597	36,508	—	3,895	164,797	24,384
Russia	—	11,050	—	—	—	1,600	35
Dantzig	140,380	154,890	2,691	2,690	—	41,373	17,528
America	—	11,771	—	—	—	—	32
Lithuania	—	—	—	—	1,028	—	85
Other countries	31,483	—	8,388	—	1	—	2,527
Total	1,923,633 kg. for Ls 164,580	957,146 kg. for Ls 134,436	433,722 kg. for Ls 219,878	101,839 kg. for Ls 60,133	252,980	1,489,862	386,860

These imports are of rather great moment in the development of our economic life. Though we ourselves manufacture Cement, Glass and China, these branches have not as yet sufficiently developed with us, so as to make protectionism necessary or desirable. The quantities imported are given in the following table in kilograms:

and china-ware. (In lats, but for the year 1921 in kilograms.)

	1923				1924			
China and porcelain	Cement	Naphtha	Glass	China and porcelain	Cement	Naphtha	Glass	China and porcelain
192,501	394,539	717,354	671,800	618,865	109,596	974,865	675,608	451,331
465	502	—	1,406	7,985	—	—	1,388	20,149
1,233	—	—	4,347	307	104	—	10,393	14,914
—	6,805	—	11,553	460	—	—	8,856	4,385
100	19	—	76,107	17	—	—	101,864	4,542
113	239,606	—	61	200	219,826	—	1,513	712
153	—	—	1,604	4	—	—	3,613	—
7,285	—	—	54,864	2,610	—	—	268,659	10,284
187	275,251	—	154	177	444,449	1	300	704
4,279	650	—	106,570	39,607	694	—	66,333	45,889
140	—	60,615	17	46	—	798,674	621	103
11,569	10	10,736	402	338	—	—	—	—
—	—	—	20	66	—	—	—	—
30	—	—	5,186	8,921	—	—	—	—
191	138	—	2,370	920	—	—	11,952	763
218,246	917,520	788,705	936,461	680,523	774,669	1,773,540	1,151,110	553,776

Years	Cement	Naphtha	Glass	China and porcelain
1920	210,778	30,844	245,602	46,994
1921	1,923,633	957,146	433,722	101,839
1922	6,758,928	9,398,520	709,732	342,319
1923	17,919,867	4,027,127	872,831	563,434
1924	15,259,390	9,632,445	1,230,989	485,856

The import of *rubber, its products, various resinous*

Countries	1921*)				1922		
	Rubber	Rubber products	Various resinous substances	Coal & coal-tar	Rubber	Rubber products	Various resinous substances
Germany	3,347	258,306	316,912	2,824,075	32,946	725,796	282,961
Great Britain	2,801	12,862	49,421	34,041,728	11,236	59,812	112,822
France	2,257	2,499	3,571	—	134	31,034	14,766
Belgium	1,252	412	—	—	20	—	—
Holland	535	11	—	202,000	343	—	—
Denmark	177	6,123	28,021	17,813	249	20,646	64,693
Sweden	838	525	216	389,430	117	1,287	—
Finland	164	7,966	200	—	—	90,648	—
Russia	1,808	313	—	—	—	155,796	—
Lithuania	—	155	—	—	—	40,143	—
Poland	—	—	—	—	—	9,313	—
Czechoslovakia	—	—	—	—	—	—	—
Dantzig	—	32	6,594	12,170	2	7,774	23,171
United States of America	—	2,066	5,096	2,546,178	—	891	9,007
Norway	—	—	—	703,000	—	—	93,708
Esthonia	—	83	—	18,603	—	91,468	1
Other countries	—	6,795	732	—	—	36	95
Total	13,179 kg. for Ls 35,201	298,148 kg. for Ls 627,009	410,763 kg. for Ls 283,720	40,754,997 kg. for Ls 2,698,536	45,047	1,234,644	601,224

*) The data for 1921 are indicated in kilograms.

The import of the goods above mentioned is of the greatest importance, as they are gifts of nature, which have not been bestowed on our country and which are indispensable for us in our economic life. Above all, the import of coal will increase with the progress of our industry. Rubber is imported in large quantities as raw produce and semi-worked produce, as we have several factories, which are in need of them for their manufacture. Before the war, the rubber

substances and of coal is shown in the following table:

1923					1924			
Coal & coal-tar	Rubber	Rubber products	Various resinous substances	Coal & coal-tar	Rubber	Rubber products	Various resinous substances	Coal & coal-tar
526,994	57,492	1,035,618	410,535	454,150	142,517	764,026	415,175	798,758
4,181,296	50,737	34,017	161,704	9,088,521	338,164	37,503	101,757	12,929,372
—	—	113,280	48,371	—	—	125,074	35,832	—
—	355	427	663	99,253	—	64,425	3,905	—
1,651	5,073	—	912	—	409,691	346	34,919	323,357
53,776	—	12,608	2,044	—	1,368	65,632	4,511	274
63,546	1,198	91,067	6,271	118,153	1,037	323,530	948	131,344
—	26	103,064	—	—	220	235,792	1,674	—
—	—	22	—	—	—	—	8,841	—
3,660	—	2,670	8,157	2,095	—	1,586	6,034	—
—	10	1,007	39	129,752	—	245	3,314	17,297
—	—	2	7	—	912	1,393	95	—
3,143	—	4,769	3,710	79,395	—	227	3,855	17,437
21,241	—	14,660	18,806	—	—	17,434	7,935	—
1,225	—	3,828	—	965	—	—	—	—
570	—	173,233	2	—	—	1,283	—	—
—	—	2,517	325	—	—	15,284	1,895	—
4,857,102	114,891	1,592,789	661,546	9,972,284	893,909	1,653,780	630,690	14,217,839

industry in Latvia was of very great importance, but it was destroyed by the war. According to quantity, these goods have been imported in 1920 — 78,329 kg. rubber and its products, 14,398 kg. various kinds of resin and 1,754,363 kg. coal and coal-tar; in 1921 — 311,327 kg., 410,763 kg. and 40,754,997 kg., in 1922 — 223,152 kg., 600,199 kg. and 149,674,291 kg., in 1923 — 281,217 kg., 733,633 kg. and 187,022,509 kg. and in 1924 — 585,373 kg., 1,086,162 kg. and 418,373,770 kg.

Further, we shall consider the import of *fancy goods, stationery, electrical appurte-*

Countries	1921*)					1922				
	Fancy goods	Stationery	Electrical appurtenances	Medical and optical instruments	Vehicles and appurtenances	Fancy goods	Stationery	Electrical appurtenances	Medical and optical instruments	Vehicles and appurtenances
Germany . .	60,466	45,945	228,303	102,294	194,157	427,676	105,556	595,605	467,480	621,750
Great Britain	252	336	2	56	4,802	18,311	4,632	3,421	14,673	2,144
Holland . . .	25	41	22,073	—	17	483	—	8,053	—	—
Denmark . .	4,291	1,059	913	3,973	3,322	559	1,201	2,806	9,096	92,482
Norway . . .	—	—	1,382	2,619	—	133	—	6,055	14,705	50
Sweden . . .	1,897	263	8,640	8,004	50	1,187	41	28,554	60,250	4,587
Finland . . .	399	—	13	30	3,860	909	22	119	717	22,852
France . . .	163	8	—	69	16,379	6,719	5	965	28,368	12,379
Belgium . . .	—	—	2,270	1,880	19,558	32	166	—	58	5,733
Italy	806	—	—	—	—	21,575	—	11,373	—	—
Austria . . .	—	—	1,701	—	—	6,656	523	36,442	601	6,435
Switzerland .	—	—	—	—	—	667	—	931	56	100
Esthonia . .	—	216	3,475	84	25	4,245	—	5,803	47,394	23,815
Lithuania . .	—	1,044	—	—	1,474	552	260	84	30	6,189
Poland . . .	29	1,567	2	8	—	4,718	688	30	17	12,407
Czechoslovak.	—	—	—	—	—	5,491	1,090	1,145	898	5,852
Dantzig . . .	93	2,405	192	36	3,463	13,027	2,382	3,766	1,818	18,352
Russia . . .	—	—	—	—	—	—	2	3	—	4,080
United States of America	171	100	—	4	948	506	200	446	502	35,185
Other countr.	475	73	177	—	—	—	—	371	—	—
Total . . .	69,067 kg. for Ls 455,314	53,057 kg. for Ls 155,626	269,143 kg. for Ls 887,418	119,057 kg. for Ls 806,325	248,055 kg. for Ls 385,076	513,446	116,768	705,972	656,663	874,392

*) The data for 1921 are indicated in kilograms.

The import of the above goods according to quantity is evident from the following figures (in kilograms):

	1921	1922	1923	1924
Fancy goods	69,067	56,160	101,705	90,389
Stationery	53,057	40,913	69,142	60,119
Electrical appurtenances .	269,143	321,748	658,620	832,739
Optical instruments and appurtenances	119,057	108,360	144,883	90,275
Rolling stock (vehicles) .	248,055	878,269	1,737,415	3,591,804

nances, optical instruments and appurtenances and rolling-stock as below (in lats):

1923					1924				
Fancy goods	Stationery	Electrical appurte-nances	Medical and optical instruments	Vehicles and appurte-nances	Fancy goods	Stationery	Electrical appurte-nances	Medical and optical instruments	Vehicles and appur-tenances
1,329,298	404,457	1,894,578	1,188,429	1,544,855	1,289,209	434,638	2,355,092	1,166,695	750,902
13,203	20,056	54,572	34,530	113,772	19,238	19,255	37,967	34,401	359,155
34,487	—	194,318	—	171	65,770	39	192,348	—	87,949
978	4,078	25,384	16,775	186,346	5,487	1,050	39,279	20,278	715,617
—	3	553	23,853	—	1	—	4,508	11,966	—
527	34	52,242	86,248	26,181	2,878	241	67,196	33,487	69,766
647	264	150	5	9,436	2,045	498	1,886	277	29,633
19,370	57	18,686	24,160	26,453	125,646	652	30,994	66,580	345,461
471	—	44,594	36,099	15,954	1,829	—	9,543	12,022	214,848
58,475	2	580	210	87,328	71,091	—	160	—	340,980
13,077	1,059	39,392	4,242	101,107	57,044	3,674	26,599	12,800	102,620
16,373	—	589	1,293	2	159,161	680	7,491	7,354	—
19,023	416	531	37,092	23,711	7,644	406	20,070	27,178	47,029
3,156	1,059	1,215	2,068	23,940	2,300	2	280	890	32,355
16,707	1,635	86	2,685	112,049	18,557	2,892	113	708	222,189
39,240	5,618	3,723	75	157,974	73,740	12,904	497	1,710	143,784
818	188	819	852	1,525	506	—	4,773	—	6,055
1,101	2	2,405	810	—	99	15	2	494	113,720
817	235	785	502	149,583	2,187	908	1,238	1,316	188,317
75	1,273	710	205	586	718	4,473	19,277	1,796	2
1,567,843	440,456	2,335,912	1,460,133	2,580,973	1,905,150	482,327	2,819,313	1,399,952	3,770,382

The auto-traffic, especially in Rīga, latterly increases rapidly, as may be seen from the figures, indicating the import of rolling-stock. The import of fancy goods and stationery, comprising more articles of luxury, has decreased during the last year, a fact which proves that we ourselves can very well produce the same articles.

In the following table we will consider the import of *petro*

Countries	1921*)			1922	
	Petroleum and benzin	Various oils	Fertilizers	Petroleum and benzin	Various oils
Germany	2,339,423	204,796	1,692,230	234,715	535,333
Great Britain	786,386	42,336	20,322	257,363	96,200
Holland	213	51,737	3,598,282	61,160	108,622
Denmark	434,910	117,143	2,284	247,773	212,215
Sweden	119,716	26,798	1,027,792	17,866	7,128
Finland	—	35,040	—	—	3,726
Czechoslovakia	—	—	—	—	2,088
Austria	—	—	—	—	—
France	—	1,167	1,987,966	573	18,764
Belgium	—	2,047	2,432,110	—	—
Italy	—	63	—	—	368
Switzerland	—	559	—	—	—
Esthonia	—	5,614	—	20	40
Lithuania	152	—	29,975	605	2
Poland	453,841	1,132	—	72,883	6,020
Dantzig	252,666	16,297	—	40,626	7,681
Russia	179,877	—	—	270,883	2,096
United States of America	777,333	12,365	10,000	312,544	102,952
Norway	—	24,050	250,000	1,729	5,608
Other countries	54,000	52,980	500	—	2
Total	5,398,517 kg. for Ls 1,583,107	594,124 kg. for Ls 761,805	11,051,461 kg. for Ls 1,214,852	1,518,740	1,113,845

*) The data of 1921 are indicated in kilograms.

Also the import of these goods is of great importance in our economic life. The consumption of the same will greatly increase, especially that of fertilizers, when the use of these articles spreads to such an extent as in Western Europe, but the use of benzine, petroleum and various oils will increase with the development of our industry. The quantities imported were: in 1920—4,233,729 kg.

leum and benzine, various oils and fertilizers (in lats):

	1923			1924		
Fertilizers	Petroleum and benzin	Various oils	Fertilizers	Petroleum and benzin	Various oils	Fertilizers
168,388	264,083	287,804	427,357	333,155	339,847	460,712
5,983	222,389	218,670	37,196	510,669	197,579	80,637
419,714	4,449	104,333	568,116	85,830	166,982	583,229
—	31,948	279,564	41,627	163,659	610,088	58,277
262,287	—	33,412	904,360	56	17,854	1.408,011
—	—	3,766	33,361	—	1,258	39,222
—	—	906	—	—	86	—
—	—	5	—	—	5	—
56,267	—	56,545	55,612	—	77,135	127,210
14,108	1,000	8,448	821,082	—	18,282	999,517
—	—	2,156	—	—	2,035	—
121,295	—	75	174,826	—	76	213,523
1,169	—	401	1	—	8,283	35
631	61,645	94,238	21,900	112	2,186	7,330
—	53,370	10,140	1	21,115	21,705	—
4,406	17,598	7,171	1,500	3,297	7,182	—
—	792,535	78,858	15,217	1.020,309	92,683	—
—	324,171	1,641	—	337,930	4,280	—
26,402	—	1,877	—	—	—	—
—	—	—	—	1,575	14,474	—
1,080,650	1,773,188	1,190,010	3 102,156	2,477,707	1,582,020	3,977,703

benzine and petroleum, 1,571,366 kg. various oils and 1,798,868 kg. fertilizers; in 1921—5,398,517 kg., 594,124 kg., and 11,051,461 kg., in 1922—6,760,579 kg., 1,740,469 kg. and 11,051,461 kg., in 1922—6,760,579 kg., 1,740,469 kg. and 11,774,157 kg.; in 1923—9,233,059 kg., 1,251,111 kg. and 34,890,131 kg., in 1924—13,987,520 kg., 1,419,583 kg. and 50,308,882 kg.

In the two following tables let us consider the import

Countries	1921 *)					1922		
	Corn	Oil, oilcake and bran	Salt	Herrings	Lard	Corn	Oil, oilcake and bran	Salt
Germany	6,668,114	220,025	12,863,156	2,200,176	101,743	2,786,468	—	278,373
Great Britain	712,797	—	13,208	3,483,219	293,893	326,548	—	41
Holland	3,373,976	—	—	77,444	—	2,318,565	—	—
Denmark	3,379,719	2,881	131,728	78,411	27,206	1,163,380	—	672
Norway	29,937	326	—	182,462	17,720	103	—	264
Sweden	1,575,878	481	—	234,202	—	435,313	—	—
Finland	—	—	—	—	—	—	—	—
Czechoslovakia	—	—	—	—	—	—	—	—
Austria	—	—	—	—	—	—	—	—
France	1,484,208	628	—	—	—	208,202	—	—
Belgium	86,518	—	—	—	—	235,950	—	15,140
Italy	—	—	—	—	—	—	—	—
Switzerland	5,711		—	—	—	—	—	—
Esthonia	49,505	—	—	—	—	10,321	—	—
Lithuania	2,145,055	328	2,156	—	—	1,015,010	—	2,609
Poland	—	—	—	—	—	6,385	—	33,202
Dantzig	309,479	—	1,000,000	494,454	85,251	369,851	—	200
Russia	3,736	—	—	—	—	951	—	117
United States of America	6,676,812	102,590	—	—	188,236	2,324,735	—	19
Other countries	221,840	—	—	—	70,349	—	—	—
Total	26,723,285 kg. for Ls 16,491,407	327,259 kg. for Ls 111,720	14,010,248 kg. for Ls 644,067	6,750,368 kg. for Ls 1,620,602	784,398 kg. for Ls 979,473	11,201,782	—	330,637

Countries	1921 *)					1922		
	Sugar	Tobacco and its products	Tea, cocoa and coffee	Lemons	Condensed milk	Sugar	Tabacco and its prod.	Tea, cocoa and coffee
Germany	6,090,727	141,411	265,966	165,463	3,073	3,265,436	307,264	286,775
Great Britain	180,518	258,825	302,892	358	111	1,129,593	504,110	95,133
Holland	275,425	30,731	123,906	1,772	988	251,225	128,150	49,360
Denmark	291,803	187,453	48,508	379	2,420	10,889	770,914	9,935
Norway	—	5	—	—	—	—	—	—
Sweden	—	17,122	2,267	—	—	153	1,255	6,303
Finland	—	8,836	—	—	—	—	131,046	—
Czechoslovakia	32.653	—	—	—	—	552,985	—	—
Austria	—	—	—	—	—	4,690	—	—
France	49,437	53,612	—	236	—	85,142	18,804	54
Belgium	70,847	1,690	650	—	—	56,871	1,502	6
Italy	—	322	—	3,839	—	—	1,047	—
Switzerland	576	200	478	—	180	—	—	1,219
Esthonia	—	63	36,860	—	—	824	78,360	526
Lithuania	—	—	—	—	10	13,908	—	507
Poland	—	—	—	—	—	—	—	1,150
Dantzig	3,424,964	90,699	31,258	—	66	2,945,202	21,393	7,862
Russia	—	—	405	—	—	1,477	79,810	—
Boulgaria	—	1,424	—	—	—	—	—	—
United States of America	566,917	29,816	16,098	—	33,094	1,330,333	3,874	31,684
Other countries	—	61,276	335	—	—	—	2,223	541
Total	10,983,867 kg. for Ls 8,402,688	883,485 kg. for Ls 3,239,203	829,623 kg. for Ls 868,345	172,047 kg. for Ls 67,267	39,942 kg. for Ls 115,009	9,648,728	2,049,752	490,855

*) The data for 1921 are indicated in kilograms.

The goods mentioned in the above tables can be divided into two groups: goods, the import of which eke out our own products and goods which are imported purely as colonial products. To this first group belong corn, a part of oilcake and bran, lard, and a part of tobacco; to the second group belong herrings, salt, sugar, tea, cocoa, coffee, lemons and condensed milk. Comparing these two groups, we notice that

of *food products* during the last years (in lats):

1923							1924				
Herrings	Lard	Corn	Oil, oilcake and bran	Salt	Herrings	Lard	Corn	Oil, oilcake and bran	Salt	Herrings	Lard
520,402	80,213	6,946,291	—	446,871	276,085	31,722	8,443,612	40	485,225	337,424	223,711
1,583,016	21,794	254,877	—	4,700	3,946,072	—	321,063	—	78,341	3,750,349	7,815
16,738	3,980	1,887,344	—	—	3,342	—	1,226,865	—	—	5,312	113,524
42,695	4,494	967,979	58,768	9,068	24,489	38,632	4,907,525	—	8,347	128,366	296,300
218,140	4,289	—	—	—	252,662	—	11,635	—	—	28,346	—
387,660	—	366,961	86,323	1,023	208,269	—	170,091	262,516	5	332,952	407
—	—	—	92,179	—	—	—	—	—	—	—	—
—	—	2	—	—	—	—	8,859	—	10,578	7,215	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	420,357	—	—	—	—	16,501	—	490	—	—
2,554	—	338,952	—	—	—	—	126,175	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	1	—	—	—	—
60	—	257	—	—	300	—	22,364	—	—	7,411	300
12,641	—	3,091,005	110,441	1	32,035	19	2,046,124	293,385	1	20,672	1,229
970	—	8,718	1,572	69,788	1,500	—	137,344	13,271	63,792	—	—
181,105	—	195,058	—	200	43,952	—	431,716	—	408	32,563	25
—	—	2,941,262	167,414	—	—	—	9,353,396	459,810	27,023	2	—
—	99,890	2,388,570	—	—	3,200	237,366	6,103,300	—	—	—	211,354
—	—	118,931	—	—	—	—	2,204	—	8,527	—	—
2,966,001	214,660	19,926,564	516,697	631,651	4,791,906	307,739	33,328,775	1,029,022	682,737	4,650,612	854,665

1923							1924				
Lemons	Condensed milk	Sugar	Tobacco and its prod.	Tea, cocoa and coffee	Lemons	Condensed milk	Sugar	Tobacco and its prod.	Tea, cocoa and coffee	Lemons	Condensed milk
61,852	13,765	4,790,804	803,480	687,819	123,487	13,839	7,595,502	911,866	852,379	166,110	5,848
144	851	2,298,368	1,377,792	172,863	—	6,457	379,347	1,503,322	287,265	781	3,966
831	1,335	366,674	79,985	122,206	—	6,036	482,949	287,545	226,463	—	9,179
1,623	2,109	38,591	645,209	36,335	236	9,235	115,786	753,986	9,503	3,665	5,304
—	—	1	115,255	—	—	—	—	36	738	—	—
—	—	32	753	4,417	—	1	271	11	963	—	—
—	204	—	25,508	6	—	—	—	8,183	—	—	1,384
—	—	1,325,001	—	—	—	—	3,284,966	16	—	—	—
—	—	—	—	—	—	—	6,453	1	—	—	10
—	—	136,672	9,791	21,408	—	—	46,056	3,206	50,110	169	—
—	—	511,389	18,675	—	—	644	22,765	105,290	5,664	—	—
72	—	—	2,295	—	4,894	—	—	24	—	6,227	—
—	775	3	38	2,506	—	4,318	2	413	728	—	1,605
—	—	19,936	168,848	3,827	—	—	112	152,528	451	—	—
—	—	6,003	393	365	—	—	36,568	—	57	2	—
—	—	232,955	6	623	10	—	389,109	—	71	—	—
268	123	3,295,335	14,425	55,530	—	—	3,321,751	50,035	106,593	—	26
—	—	17	57,143	12	—	—	25	10,554	62	—	—
—	—	—	10,680	—	—	—	—	352,240	—	—	—
—	31,756	282,101	28,742	3,518	—	518	54,147	41,159	2,545	—	6,965
—	—	—	—	3,901	—	—	—	—	—	711	—
64,790	50,918	13,303,882	3,359,018	1,115,336	128,627	41,048	15,735,809	4,180,415	1,543,592	177,665	34,287

the quantities of the latter group are larger and more steadily increasing, whilst those of the former are more indefinite or more risky, as the demand for these goods fluctuates, according to necessity. Import of corn has been especially brisk during the years 1923 and 1924 which is due to the poor crop of 1923. During the next years the import of corn will undoubtedly decrease. The quantities imported were as follows (in kilograms):

	1920	1921	1922	1923	1924
Corn	12,199,939	26,723,285	35,770,950	81,094,344	136,724,687
Salt	33,899,982	14,010,248	18,701,319	24,096,054	27,008,628
Herrings	27,343,380	6,750,368	12,866,420	21,397,441	16,427,064
Sugar	4,130,037	10,983,867	20,102,452	21,400,181	26,112,035
Tabacco	509,975	883,485	549,560	1,036,813	1,293,651
Remaining goods mentioned	1,108,517	2,153,269	719,891	3,673,802	7,301,332

Lastly, we shall consider the import of *animals* —

Countries	1921*)				1922		
	Horses	Cows	Pigs	Poultry	Horses	Cows	Pigs
Germany	6 head	—	—	—	85,240	800	5,240
Great Britain	—	—	—	—	—	—	100
Denmark	2 „	—	160 kg.	—	8,000	—	—
Lithuania	3,154 „	99 head	46 head	29 head	1,885,330	129,130	7,860
Esthonia	4 „	—	—	—	455,778	51,078	228,336
Poland	—	—	—	—	—	—	—
Austria	—	—	—	—	—	—	—
Russia	—	—	—	—	86,892	—	—
Sweden	—	—	—	—	18,000	—	—
Finland	2,948 kg.	—	—	—	19,200	—	—
Holland	—	—	—	—	19,280	—	—
Dantzig	—	—	—	—	—	—	—
Norway	—	—	—	—	—	—	—
Other countries	—	—	—	—	—	—	—
Total	3,166 head 2,948 kg. for Ls 822,154	99 head for Ls 5,959	46 head 160 kg. for Ls 4,038	29 head for Ls 128	2,577,720	181,008	241,536

*) The data for 1921 are indicated in kilograms.

Live stock is imported with a view to rear high class animals, the stock of which has suffered greatly from the war. These imports deserve encouraging, as they do strengthen the economic position of our farmers. We have already a stock of high class animals, especially cows, and the present need is more for horses.

Looking over the whole import of Latvia, we receive the impression that our commerce quickly increases. That is really so, but we cannot help noticing that there are also imported goods, without which our country, only partially recovered from the

Of course, such large import of food stuffs ought to be restricted, and that will also be done during the next years, when our economic life will have overcome the difficulties caused by the war. We had scarcely begun to recover from the destructive war and revolution, when there came the failure of our crops in 1923, followed by the impoverished crop of 1924. However, notwithstanding all these untoward circumstances, our position improves with each succeeding year.

horses, cows, pigs and poultry (in lats):

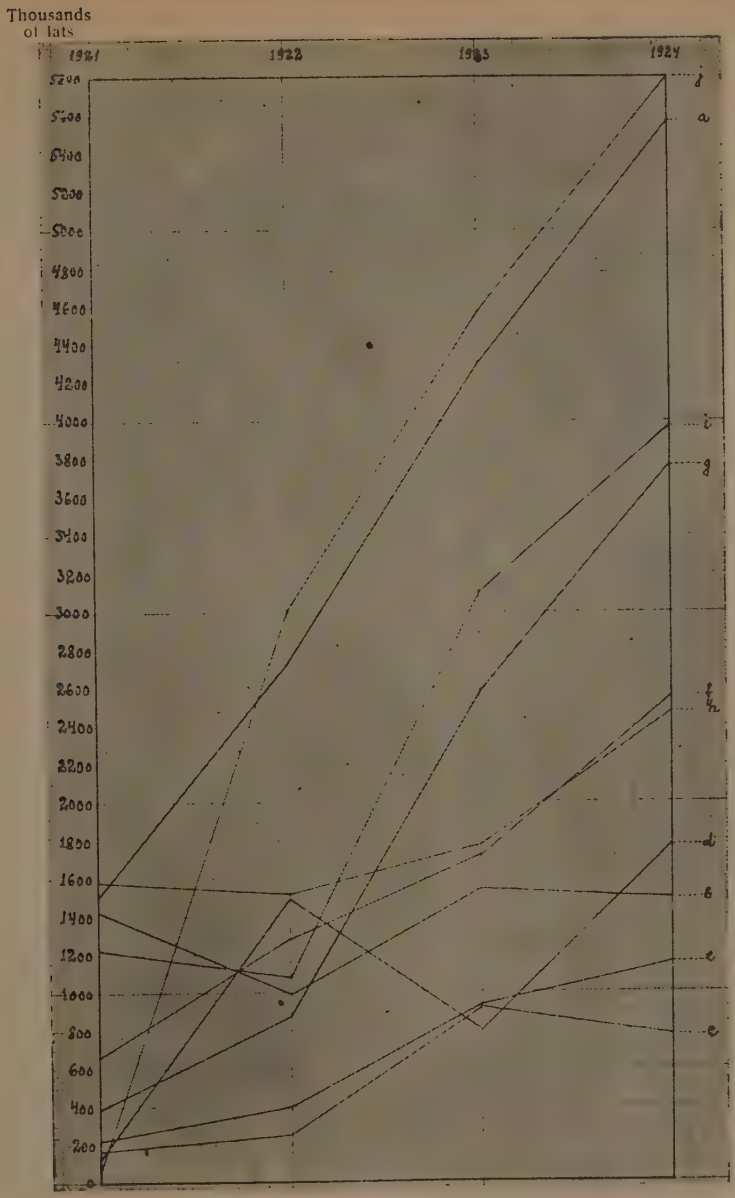
1923					1924			
Poultry	Horses	Cows	Pigs	Poultry	Horses	Cows	Pigs	Poultry
487	3,000	3,280	1,950	498	—	3,080	600	320
180	—	—	59,934	2,187	—	—	1,480	8,570
—	159,425	7,600	—	—	133,178	—	—	—
2,275	3,094,364	240,811	108,451	20,767	3,826,087	932,552	316,341	47,192
—	619,521	7,637	41,809	—	510,313	44,384	56,187	—
—	18,030	—	—	111	8,240	120	—	—
—	—	—	—	—	—	—	—	80
6	24,470	120	96	64	16,669	140	80	270
—	40,800	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	93,000	—	—	—	—	—	—	—
—	15,600	—	—	—	—	—	—	—
—	12,200	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
2,948	4,080,410	259.448	212.240	23,627	4,494,487	980,276	374,688	56,432

war, could very well do, and which, to some extent, we ourselves also can produce. It is remarkable to learn that the import of these goods increases, that we pamper ourselves, wearing foreign materials and buying fancy goods, using foreign cosmetics etc. In order to attain an improved trade balance as early as possible, it is necessary to limit the import of these goods, manufacturing them ourselves of a quality not inferior to foreign makes. On some of these lines this has already been achieved, even in such an important branch, as textile industry. In order to have a better

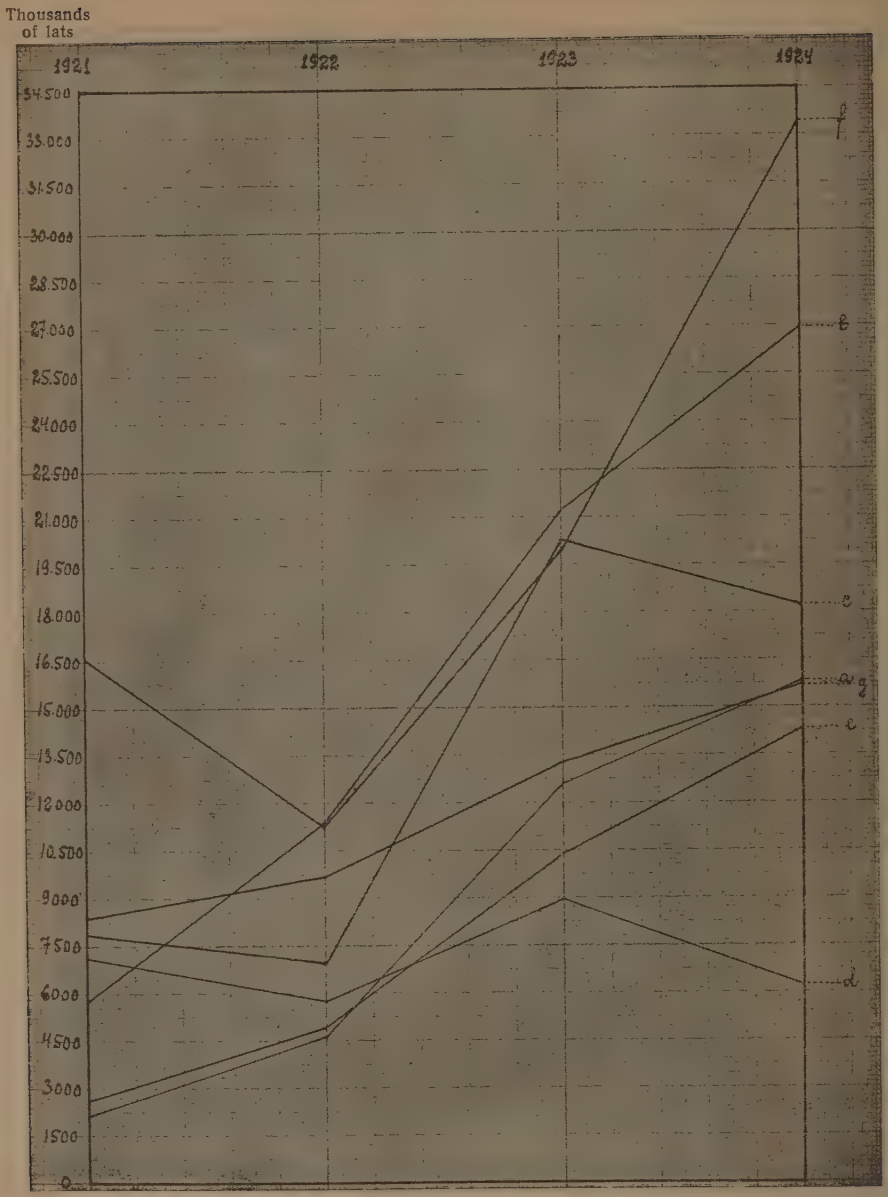
review of the increase of our import, during the last few years, in the following table are given the index figures for our import, reckoning the year 1924 as 100:

	1921	1922	1923	1924
Wool	13	29	80	100
Cotton	21	42	79	100
Iron, wire and sheet metal	27	49	77	100
Agricultural and industrial machinery	43	38	112	100
Paper	127	65	97	100
Cellulose	14	70	119	100
Cement	21	33	118	100
Naphtha	8	84	44	100
Glass	19	34	81	100
China and porcelain	11	39	123	100
Leather and its products	114	91	143	100
Animal fat	124	87	97	100
Rubber	4	5	13	100
Rubber products	38	75	96	100
Resinous substances	45	95	105	100
Coal and coal-tar	19	34	70	100
Fancy goods	24	27	82	100
Stationery	32	24	91	100
Electrical appurtenances	31	25	83	100
Optical instruments and appurtenances	58	47	104	100
Rolling stock	10	23	68	100
Petroleum and benzine	64	61	72	100
Various oils	48	70	75	100
Fertilizers	31	27	78	100
Corn	49	34	60	100
Oilcake and bran	11	—	50	100
Salt	94	48	93	100
Herrings	35	64	103	100
Lard	115	25	36	100
Sugar	53	61	85	100
Tobacco and its products	77	49	80	100
Tea, cocoa and coffee	56	32	72	100
Lemons	38	36	72	100
Condensed milk	335	149	120	100
Horses	18	57	91	100
Cows	0,6	18	26	100
Pigs	1	64	57	100
Poultry	0,2	5	42	100

The development of import respecting its value is characterized by the following diagrams:



a—Iron, wire and sheet metal; b—Paper and cellulose; c—Cement; d—Naphtha; e—Glass; f—Rubber and its products; g—Rolling stock; h—Petroleum and benzin; i—Fertilizers; j—Live stock.



a — Wool; b — Cotton; c — Agricultural and industrial machinery; d — Raw and tanned hides; e — Coal and coal-tar; f — Corn; g — Sugar.

Foreign commerce is one of the most complicated and important economic questions and gives much trouble respecting the problem of retaining the economic balance of the state in a safe condition. This is all the more difficult to manage, as the country has suffered through war and revolution. On the 22-nd May 1919, when the bolshevics left Rīga, our capital-town was entirely sacked. During the five months of their sway not only whole waggons of food products and textile goods vanished, but all other things of any value whatever were carried away to the Interior of Russia, even ploughs and harrows, including also other farm implements. The industry in Latvia was destroyed by the war, as the Tzar-Government had given orders to evacuate all plant to Russia.

Such were the conditions under which Latvia had to renew her economic life. At the same time there still existed the bolshevics and Bermond, and we had in the first place to devise means how to secure provisions for the army, and in the second, for the civilians. Taking all this into consideration, it may be well understood how hard we had to struggle, in order to accommodate our economic life to some extent, and to make life bearable. Comparing our country with our neighbouring countries, Lithuania and Esthonia, we see that our country has suffered more than all the others. Lithuania has not much suffered by the war, whilst entire districts of ours have been transformed into trenches and ruins. The Tzar-Government had not ordered the evacuation of plant from Esthonia, so the factories there could at once renew working and develop their industries, whereas with us there remained only the bare walls of our fabrics. However, notwithstanding all these obstacles, during the short time of our existence, we have already overcome great difficulties, also our efforts for the renovation and stabilisation of our economic life will not weaken, and after a short time we shall attain the position of the above-named countries, which have not so much suffered from the war, and the trade balance of which is very active.

Transit Commerce.

Thanks to the geographical position of Latvia and its good ports, the transit commerce through Latvia holds a notable place, and increases with every year. The returns of transit are illustrated by the following table (in kilograms):

Groups of goods	1921	1922	1923	1924	Total
Raw products & semi-manufactured goods	21,610,998	160,771,168	167,954,618	352,715,207	703,051,991
Manufactured products . . .	5,766,948	63,148,569	34,069,800	33,831,798	136,817,115
Food products	71,708,103	259,486,905	158,719,634	187,843,720	677,758,362
Live stock	67,225	143 head	31 head and 2,186 kg.	943 head and 342,077 kg.	1117 head and 411,488 kg.
Total . .	99.153.274	483.406.642 and 143 head	360.746.238 and 31 head	574.732.802 and 943 head	1.518.038.956 and 1117 head

Thus during the last four years, the transit of raw products and semi-manufactured products amounted on an average to 46·20%, manufactured products to 9·10%, food products to 44·67% and the transit of live stock to 0·03%.

In the following table we shall note, from which countries and in what quantities goods have been forwarded through Latvia in transit (in kilograms):

Countries	1921	1922	1923	1924
From: Great Britain	23,967,025	105,222,089	26,396,956	30,373,307
Germany	26,393,863	116,693,518	30,772,185	25,644,686
Soviet Russia	8,408,639	47,274,935	170,045,740	308,020,471
Lithuania	7,749,753	58,855,328	53,647,111	43,589,860
Esthonia	79,087	2,284,037	906,741	2,445,622
Poland	—	71,640	29,339,970	130,189,560
Finland	275,857	175,715	31,590	334,227
France	901,938	2,046,225	594,248	1,541,901
Belgium	—	18,206,142	1,527,253	895,867
Sweden	11,681,582	14,383,722	7,330,256	10,940,999
Denmark	573,501	2,655,397	1,158,511	2,267,245
Norway	780,055	16,188,394	130,330	143,649
Dantzig	10,196,421	14,293,778	3,464,607	3,406,913
Holland	524,635	27,433,788	1,725,575	2,734,787
United States of America	7,591,615	57,280,649	33,488,405	10,751,520
Other countries	29,303	341,285	186,760	1,452,188
Total	99,153,274	483,406,642	360,746,238	574,732,802

In the same manner, the following table shows to which countries and in what quantities goods have been forwarded through Latvia in transit (in kilograms):

Countries	1921	1922	1923	1924
To: Great Britain	11,169,622	70,269,961	118,275,253	228,026,786
Germany	2,103,673	7,382,758	40,290,849	45,717,886
Soviet Russia	72,958,789	323,403,436	71,579,751	31,015,194
Lithuania	6,258,595	42,846,687	36,338,388	44,498,507
Esthonia	2,609,148	5,208,831	4,313,706	10,727,546
Poland	—	—	271,027	12,038,738
Finland	230,076	119,560	5,914,577	1,572,203
France	2,316,899	2,515,833	8,392,561	14,107,244
Belgium	—	11,150,210	18,491,216	53,586,811
Sweden	72,264	—	21,462,582	11,096,093
Denmark	357,870	1,693,856	16,653,780	41,199,602
Norway	—	818,657	8,613,219	3,548,794
Dantzig	897,699	1,578,558	1,241,631	2,913,496
Holland	89,895	9,398,778	7,145,252	73,104,732
United States of America	62,242	326,609	1,452,555	1,235,418
Other countries	26,502	6,692,908	309,891	343,752
Total	99,153,274	483,406,642	360,746,238	574,732,802

We notice from the fore-going tables that the transit commerce of Latvia increases with every year, bringing in rather large incomes to the State. Notably important transit is through Latvia from Russia to Great Britain, nearly 50% of the whole transit commerce.

In the table below we see the principal goods forwarded in transit through Latvia during the last four years (in kilograms):

Goods	1921	1922	1923	1924
Textile industry (raw products & semi-manufactured)	4,514,719	17,299,812	28,447,548	32,893,600
thereof: Flax	2,411,771	15,527,680	19,510,433	23,088,223
Textile industry (products)	560,973	2,247,970	1,512,349	677,228
Metal industry	2,972,312	42,830,628	11,799,228	8,066,798
thereof: iron	145,867	498,453	210,150	302,609
agricultural & industrial machines	443,773	2,755,446	2,571,259	1,387,366
Timber and its products	7,324,201	75,618,008	117,041,813	286,469,692
Polygraphics & paper industry	98,626	2,087,358	525,231	312,148
thereof: paper	41,156	1,812,349	321,541	209,902
Mineral industry	149,801	727,129	1,375,382	1,708,708
Vegetable products	2,604,760	1,088,327	6,554,947	17,145,612
thereof: linseed	2,131,071	1,088,327	5,982,894	11,935,209
Animal products	462,907	7,278,996	6,579,938	8,547,487
Chemical industry	2,305,579	13,945,238	18,402,591	21,895,235
Other raw products, semi-manufactured & products	6,748,798	60,796,271	9,785,391	8,830,497
thereof: coal	30,467	55,289,061	7,270,865	2,698,260
coal-tar	4,636,682	—	—	—
rolling-stock	216,715	525,538	644,093	4,908,948
Food products	71,343,373	259,486,905	158,719,634	187,843,720
thereof: sugar	2,534,634	13,617,671	9,149,016	9,818,110
corn & flour	25,153,596	170,908,478	94,576,251	69,206,526
coffee & cocoa	692,525	486,922	663,823	94,246
eggs	3,662,393	6,069,539	7,564,367	16,787,830
salt	1,119,370	2,352,951	2,619,586	7,732,339
herrings	3,564,219	20,941,082	10,940,105	22,392,966
Live stock	67,225	143 head	2,186 kg. and 31 head	342,077 kg. and 943 head
Total	99,153,274	483,406,642 and 143 head	360,746,238 and 31 head	574,732,802 and 943 head

The most notable place in the transit commerce is occupied by the transit of timber and food products, which increases every year. With the organisation of the economic life in Russia, the transit commerce will greatly increase, our country, by its geographical situation, being the natural transit way between Russia and Western Europe.

V. Shipping.

As already pointed out several times, our geographical position indicates that our country is a natural transit-country, and considering the shipping in our ports, we find renewed confirmation that shipping at our ports is very brisk. It is desirable to increase the tonnage of our commercial fleet in the shortest possible time, but also here we meet with the deficiency of capital. It is to be hoped that with time this deficiency will be overcome, when foreign capitalists are better informed of our circumstances, and will decide, by the help of comparatively small investments of capital, to put into working order the shipbuilding yards, not yet actively engaged. We, ourselves, cannot as yet afford this, because many other, more indispensable needs, must be provided for.

The traffic at our ports (Rīga, Liepāja (Libau), Ventspils (Windau), and Ainaži (Haynash) since 1902 is shown by the following figures:

Years	Incoming vessels		Outgoing vessels	
	Number	nett. tons	Number	nett. tons
1902.	3646	1,685,508	3642	1,677,772
1903.	3696	1,814,101	3681	1,803,001
1904.	3670	1,953,556	3629	1,935,774
1905.	3695	1,970,986	3709	1,914,496
1906.	3808	2,127,732	3816	2,143,166
1907.	3638	2,225,603	3612	2,199,469
1908.	3627	2,232,884	3638	2,234,015
1909.	5517	3,256,059	5490	3,244,627
1910.	5740	3,550,481	5717	3,540,701
1911.	5691	3,683,859	5684	3,639,301
1912.	4379	2,902,805	4372	2,897,199
1913.	5289	3,591,195	5251	3,563,346
1914.	2354	1,610,133	2416	1,662,316
1918.	275	123,050	236	93,110
1919.	793	342,763	734	336,661
1920.	1679	479,801	1597	455,994
1921.	2104	784,850	2038	774,257
1922.	2878	1,293,515	2863	1,283,244
1923.	3577	1,442,131	3571	1,431,500
1924.	3937	1,494,752	3900	1,488,523

We are gradually attaining our position of 1902—1908, and, with further development of trade, our traffic will rapidly increase. It must be stated, that more than half of the entire shipping traffic is connected with foreign concerns.

The shipping traffic of different nations and countries is shown in the following table:

Nations and Countries	Shipping traffic respecting different nations				Shipping traffic respecting different countries			
	Incoming vessels		Outgoing vessels		Incoming vessels		Outgoing vessels	
	Number 1923*)	Number 1924	Number 1923	Number 1924	Number 1923	Number 1924	Number 1923	Number 1924
Latvia	1,707	1,924	1,704	1,910	1,727	1,894	1,703	1,898
England	220	255	217	260	255	303	510	503
Austria	—	1	—	1	—	—	—	—
Portugal	—	—	—	—	—	2	—	—
Canada	—	—	—	—	—	2	—	—
Belgium	—	2	—	1	11	37	75	120
Denmark	353	305	359	302	230	255	201	155
France	25	25	25	25	11	6	52	18
Holland	15	20	14	19	23	45	57	87
Esthonia	73	242	70	239	207	315	135	300
Russia	22	12	25	12	28	15	20	20
Norway	118	82	118	79	10	10	22	13
Poland	19	10	18	10	—	—	—	—
Finland	17	20	18	18	39	61	96	125
Sweden	238	179	227	175	200	206	169	116
Germany	724	821	731	813	558	508	295	283
Dantzig	27	28	27	25	198	131	124	153
Klaipēda (Memel)	6	4	5	3	71	146	99	109
U.S. of America	12	7	12	8	9	1	10	—
Total	3,576	3,937	3,570	3,900	3,577	3,937	3,568**)	3,900

*) The number of incoming and outward bound vessels in 1923 included a vessel, that, according to nationality, belongs to Lithuania.

**) Three vessels departed: 1 to Africa, 1 to Spain and 1 to Greece.

The most extensive traffic is carried on at the port of Rīga: in 1924 the percentage for Rīga was 56·31% of incoming and 56·03% of outgoing vessels; for the port of Liepāja — 23·37% of incoming and 23·67% of outward — bound vessels; for the port of Ventspils — 17·22% of incoming and 17·15% of outgoing vessels, and for the port of Ainaži — 3·10% of incoming and 3·15% of outgoing vessels. The ports of Liepāja and Ventspils have the important advantage of not freezing during the whole year, and the depth is so, that the largest ocean steamers can easily enter. The ports of Latvia occupy a notable place among European ports and are well-known and adapted to modern requirements.

With regard to the different kinds of vessels, the incoming and outward bound vessels are to be divided as follows:

Kinds of vessels	Vessels arrived				Vessels left			
	1923		1924		1923		1924	
	Number	Nett. tons	Number	Nett. tons	Number	Nett. tons	Number	Nett. tons
Steamers	2,499	1,334,383	2,684	1,356,912	2,506	1,330,353	2,661	1,352,170
Sailing-vessels	847	78,995	993	89,966	843	76,427	980	89,420
Motor vessels	231	28,753	260	47,874	222	24,720	259	46,933
Total	3,577	1,442,131	3,937	1,494,752	3,571	1,431,500	3,900	1,488,523

We see that 70% of all vessels, which arrived at the Latvian ports, were steamers. Of the total shipping traffic 78% arrived with cargo, but the remainder with ballast, and 70% left with cargo and 30% with ballast. These figures denote that of vessels with cargo 8% more arrived than left, i. e. according to this statement, our import exceeds our export.

Formerly in Russia the shipping of the Latvian ports of the Baltic Sea occupied the most notable place: of 984 vessels (in the ports of Latvia, Esthonia and Russia together) 384 vessels, registering 183,291 tons, traded at the ports of Latvia, at the ports of Esthonia — 377 vessels, registering 48,795 tons, and at the ports of Russia — 223 vessels, registering 68,426 tons.

The state of the Latvian commercial fleet on the first of January 1914, was as follows:

Ports	Steamers		Sailing vessels		Total	
	Number	Reg. tons	Number	Reg. tons	Number	Reg. tons
Rīga	75	67,925	206	40,038	281	107,963
Liepāja	25	60,672	28	4,511	53	65,183
Ventspils	14	5,900	36	4,245	50	10,145
Total	114	134,497	270	48,794	384	183,291

In 1914 were registered 30% steamers and 70% sailing vessels, but in 1923 — 32% steamers, 58% sailing vessels and 10% motor vessels. The number of steamers has dacreased since the war, however the actual percentage now exceeds the pre-war quantity. (The number of steamers in 1923 was 31, sailing vessels — 56 and motor vessels — 9.) That indicates that since the war, steamer traffic has developed more than that of sailing vessels, and with the commencement of renewed shipbuilding, the percentage of steamers will increase still more.

Our navigation can be in future of the greatest importance to the economic life in Latvia, because our harbours are necessary to uphold commerce between East and West. At present our part is a small one, owing to the false economic policy of Soviet Russia, but in time the East will enter into wider communication with the Western countries, and the result will be that Latvian ports and navigation will prove of indisputable importance. No delay should be allowed in the building of new steamers, in order to strengthen our commercial fleet.

VI. Joint Stock Companies*)

Before the war the Joint Stock Companies in Latvia owned the largest factories, but as our wholesale industry was wholly destroyed by war and revolution, the activities of the Joint Stock Companies either ceased or they were liquidated or their plant was removed to the Interior of Russia. Owing to these reasons there were in Latvia in 1920 only about ten smaller Joint Stock Companies possesing a capital of some millions of lats. The later years, however, together with a general development of our economic life, show also in this case a certain improvement. The Joint Stock Companies which had suffered less, and those, the plant of which had not been evacuated, started working again. At the beginning of 1924 about $^1/_3$ of the pre-war undertakings were working (about 30 in number), but the capital of the Companies had diminished by 74%. Previous to the war the average capital of our Joint Stock Companies was 1·10 million Lats, whereas at present the average capital of the new established companies in only 0·27 million lats. The intensity in creation of new Joint Stock Companies is illustrated by the following figures:

in 1921 there were	87	Joint Stock Companies	with a stock capital of	33·3	mill.	Lats
„ 1922	„	„	156	„	„	„	„	„	„	58·0	„	„
„ 1923	„	„	232	„	„	„	„	„	„	80·0	„	„

Of all 232 Joint Stock Companies registered in the Ministry of Finance, only 170 Companies have been able to pay in the compulsory part of capital in the Latvijas Banka, owing to deficiency of means, so the percentage is 73%. The number of licenses granted is greater. In addition to these 170 Companies, there are still 25, which had started working in 1924, but on the 1-st of January 1925, they were entered as liquidated. The share capital of these Companies was 5·6 millions of lats. So on the 1-st of January 1924, 195 Joint Stock Companies were in operation, with a capital of 75·9 million lats. In further summing up of the activities of Joint Stock Companies there will be indicated only those which have continued working up to the end of the year.

Classified as to their kind of produce, the following number of Joint Stock Companies operated in Latvia in 1897, 1914 and at the beginnig of 1924:

	1897	1914	1924	1897	1914	1924
	number of Companies			percentage		
Textile industry	4	10	6	13·3	11·2	3·5
Metal industry	6	20	4	20·0	22·5	2·4
Timber industry	4	4	12	13·3	4·5	7·1
Polygraphics and paper industry . .	2	3	6	6·7	3·4	3·5
Leather industry	—	3	4	—	3·4	2·4
Minerals and their products	—	—	7	—	—	4·1

*) These data are taken from publications of the State Board of Statistics "Joint Stock Companies of Latvia in 1923".

Chemical industry		4	15	12	13·3	16·9	7·1
Food products & delicacies		4	9	19	13·3	10·1	11·2
Communications		3	12	13	10·0	13·5	7·6
Insurance		—	—	9	—	—	5·3
Banks		1	2	13	3·3	2·2	7·6
Commerce		—}	—	52	—	—	30·6
Sundries		2}	11	13	6·8	12·3	7·6
Thereof:	electrotechnical concerns	—	—	3	—	—	2·3
	building enterprises	—	—	5	—	—	3·0
Total		30	89	170	100,0	100,0	100,0

In comparison to the pre-war situation, the number of Joint Stock Companies is at present nearly double, however, the next table, indicating the capital of the Companies, changes the outlook.

		1897	1914	1924	1897	1914	1924
		Share Capital in millions of lats			In percentage		
Textile industry		5·8	35·8	4·2	8·4	8·5	6·0
Metal industry		20·6	128·0	0·2	29·7	30·5	0·3
Timber industry		10·2	17·0	2·3	14·8	4·1	3·3
Polygraphics & paper industry		2·0	8·1	11·5	2·8	1·9	16·4
Leather industry		—	9·6	1·3	—	2·3	1·8
Minerals and their products		—	—	3·2	—	—	4·6
Chemical industry		11·1	105·8	7·4	16·1	25·2	10·5
Food products & delicacies		4·9	16·2	4·7	7·1	3·9	6·7
Communications		3·8	35·4	13·1	5·4	8·5	18·6
Insurance		—	—	3·4	—	—	4·8
Banks		8·0	29·2	10·1	11·6	6·9	14·4
Commerce		2·8}	34·6	7·6	4·1}	8·2	10·8
Sundries				1·3			1·8
Thereof:	electrotechnical concerns	—	—	0·1	—	—	0·2
	building enterprises	—	—	0·6	—	—	0·9
Total		69·1	419·8	70·3	100·0	100·0	100·0

In all branches we observe a decrease of capital in comparison to the year before the war. An exception is only to be seen in the Joint Stock Companies for paper and polygraphic industries, owing to the fact that old Companies of this branch have been restored and new Companies created. One of the chief groups of Joint Stock Companies is that of Commercial Companies, which constitutes more than $^1/_3$ of all our Joint Stock Companies, however, the share capital in these undertakings is comparatively small.

After their special lines of business these Companies can be classified as follows:

	Number of Joint Stock Cos.	Share capital in thousands of lats	In percentage from total amount
Manufactures & fancy goods	2	840	11·1
Machines including agricultural implements	7	1968	26·1
Other machines	5	680	9·5
Forest and wood materials	4	1015	13·4
Books and stationery	2	490	6·4
Animal products (skins & bristles)	2	155	2·0
Naphtha & petroleum	3	225	2·9
Chemicals & drugs	3	140	1·8
Agricultural products	6	389	5·1
Musical instruments	1	100	1·3
Cinema films	1	160	2·1
Import & Export	5	370	4·9
Forwarding, transport & clearance	6	637	8·4
Warehouses	2	82	1·0
Sundries	3	300	4·0
Total	52	7551	100·0

How unimportant with regard to their capital, the Commercial Joint Stock Companies are, is shown by the following figures:

as with capital up to Ls	20.000	are registered	2	Companies
from 20 to „	30.000	is „	1	Company
„ 30 „ „	40.000	are „	7	Companies
„ 40 „ „	50.000	„ „	8	„
„ 50 „ „	75.000	„ „	9	„
„ 75 „ „	100.000	„ „	11	„

The remaining 14 Commercial Joint Stock Companies have a share capital of more than 100,000 Lats, but the average capital on one Commercial Joint Stock Company is 145,000 Lats, whereas the average capital on the other companies (such as industrial, insurance and forwarding companies), is equal to 532,000 Lats. The total balance of all Joint Stock Companies (on January 1-st 1924) amounts to 200·5 millions of lats and is divided as follows:

1-st January 1924

Assets	In mill. of lats	In percentage	Liabilities	In mill. of lats	In percentage
Cash	7·5	3·8	Capital	70·0	34·9
Debtors	77·1	38·4	Reserves	1·0	0·5
Real estate	73·8	36·8	Obligations capital	1·0	0·5
Materials & goods	29·4	14·7	Special capital	13·1	6·5
Loss	2·4	1·2	Creditors	102·0	50·9
Sundry assets	10·3	5·1	Profit	4·8	2·4
			Sundry liabilities	8·6	4·3
Total	200·5	100·0	Total	200·5	100·0

Taken in percentage, proprietary means in the Joint Stock Companies amount, at the beginning of 1924, to 44·8% of the capital balance, but in 1914 to 46·3%, the percentage of proprietary means is comparatively larger with our Joint Stock Companies, than with our other social economic organisations, and consequently, their activities can be considered as safe and succesful. Of proprietary means, firstly stands the stock capital amounting to more than $^1/_3$ of the entire capital balance, then come special capitals. The reserves are comparatively small, as our Joint Stock Companies are of recent creation, and have had no possibility of saving more important reserves.

The banks take a notable place among the Joint Stock Companies, the number of which on the 1st of Jan. 1924 was 21. The most important Joint Stock Banks are: Rīgas komercbanka (The Riga Commercial Bank) with a returns balance of 22,458,189 lats, Latvijas tirdzniecības un rūpniecības banka (Latvian Commercial & Industrial Bank) with Lats 7, 165,257, Rīgas starptautiskā banka (The Riga International Bank) with Lats 6,389,299, Liepājas banka (Libau Bank) with Lats 3,235,027, Rīgas kreditbanka (Riga Credit Bank) with Lats 2,081,259, Latvijas zemnieku banka (Latvian Farmers Bank) with Lats 1,672,592, Latvijas komercbanka (Latvian Commercial Bank) with Lats 1,621,384, Lauksaimnieku centralbanka (Central Farmers Bank) with Lats 1,540,739, Latvijas tautas banka (Latvian People's Bank) with Lats 879,242, Latviešu akciju banka (Latvian Bank Ltd.) with Lats 836,577, Latvijas tirgotāju banka (Latvian Merchants Bank) with Lats 789,646, Latgales akciju banka (Latgallian Joint Stock Bank) with Lats 509,624, and Lietavas tirdzniecības un rūpniecības banka (Lithuanian Commercial & Industrial Bank) with Lats 270,077. The chief asset in the return balance of banks are loans—17·2 millions of lats, and correspondents — 15·1 millions of lats. Of the liabilities the first place is occupied by deposits and current accounts amounting to 11·7 millions of lats. The total returns of the Joint Stock Banks in 1923 amounted to 1650 millions of lats, the cash returns, to 381 millions of lats.

The activities of the Insurance Companies are extensive and successful. The sums of risks in the branch of insurance against fire were as follows: in 1921—160·4 millions of lats, in 1922—220·4 millions of lats, but in 1923 increased to 407·7 millions of lats. The first place is taken by the "Latvijas Lloyds", then "Daugava", "Rīgas", "First Rīgas" etc. In 1922 all Insurance Companies together collected 2,032,400 lats premiums, but in 1923—3,345,830 lats, of which latter sum 2,107,700 lats were paid for reinsurance. For damage, by fire, was paid: in 1922—245,000 lats, in 1923—651,000. The percentage of reinsurance diminished in 1923 from 64 to 63, but the percentage of damage by fire increased in the same period from 12·1 to 19·5. For transport insurances these Joint Stock Companies have collected premiums: in 1922—584.886 Lats, but in 1923—1,233,698 Lats. The average percentage paid on transport damage in 1923 was higher than in the preceding year, and it must be taken into consideration, that the operations of transport insurances are not so strict and advantageous, as those of insurance against fire. Of the other operations of insurance must be indicated: glass, with a premium of 10,532 lats, burglary — 12,501 lats, domestic animals Ls 18,508 and other operations of insurance with paid premium of Ls 57,268. The Insurance

Companies against fire collect the highest premiums — 70·5%, then follow insurances of transport — 28·3%, other kinds of insurance only — 1·2%.

The remaining Joint Stock Companies deal with commerce, industry and various other operations, such as clearance, transport etc. The value of all goods produced in 1923 was 51 mill. lats. The returns of the accounts of profit and loss, in the same year, amount to 47·2 mill. lats. Of all the Joint Stock Companies 80·7% concluded the year 1923 with a profit, but 19·3%, with loss. The total profits of all Joint Stock Companies amount to 5·6 millions of lats, but the total losses — to 0·6 millions of lats.

The average profit and loss in the special lines is as follows (in lats):

	One Joint Stock Company	
	average profit	average loss
Textile industry	50,370	—
Metal industry	—	6,640
Timber industry	30,594	36,820
Polygraphics and paper industry	57,350	21,820
Leather industry	16,606	362
Minerals and their produce	12,424	19,316
Chemical industry	37,405	57,644
Food products and delicacies	57,000	11,163
Communications	81,000	7,640
Insurance	46,990	—
Banks	91,867	—
Commerce	18,672	16,144
Sundries	11,094	4,672

The acquired profit, with regard to stock capital, amounts to 8·4%. The greatest percentage of profits (19·6) belongs to the produce of food and delicacies, the smallest (2,1) to polygraphic and paper industrial undertakings. The percentage of net profit in 1913 was 10·6, but in 1923—7·1. It is evident that the percentage of net profit has decreased since the war, however, reviewing the years after the war, we see that the profit has increased with each year, for instance: in 1920, the total profit was — 0·4 millions of lats, 1921 — 0·9, 1922 — 2·8 but in 1923 — 5,6 millions of lats. The dividends paid out on share capital steadily increase, as in 1920 — 92,128 lats were paid out, in 1921 — 309,856 lats, in 1922 — 940,159 lats and in 1923 — 2,209,309 lats. The highest percentage of dividends has been paid by the Joint Stock Banks and the Joint Stock Companies for the produce of food and delicacies — 8·1 and 7·4 respectively.

It must be generally stated, that the activities of the Joint Stock Companies, may be regarded as satisfactory, insomuch as these undertakings are new and their activities have not yet assumed a normal course. It is evident, however, that in the years following the war, this branch of our economic life has developed with every year, giving always better and better results.

VII. Credit Institutions.

The war and the revolution have badly crippled the activity of our Credit Institutions also, and have destroyed them in the same manner as the whole economic life of Latvia. Previous to the war, the Latvians formed their own Societies of Mutual Credit in a great measure, but especially small Credit Institutions for savings and credit, in order to further the erection of Latvian buildings, and also the development of commercial and industrial enterprises. At the beginning of the war, there existed in Latvia 313 Credit Institutions with a total balance of Capital of 336·8 million gold roubles, 71% of these were small Credit Institutions with a balance of 65 million gold roubles. The greater number of these small Credit Offices were in the country towns. The war interrupted the activity of these country credit institutions, and only in 1921 they were able to renew operations. After the war the economic life in Latvia quickly re-established itself and the Credit Institutions received a great impetus to operate, partly with proprietary means, and partly also, with credit granted by the Latvijas Banka. The number of Credit Institutions after the war is shown by the following table:

	1921	1922	1923	1924
Joint Stock Banks	10	13	20	26
Mutual Credit Societies	25	24	25	25
Savings and Credit Institutions	117	150	215	215
Total	152	187	260	266

The forming of new Joint Stock Banks steadily continues, the number of these has doubled during the last two years. As a matter of fact, further increase is excluded, as, when our economic life attains its normal course, all these Joint Stock Banks will not have the possibility of continuing, the more so, as several of them have developed operations rather extensively. The total balance of Joint Stock Banks during the last four years is as follows (in lats):

Assets	1921	1922	1923	1924
Cash and current accounts	1,051,308	2,232,173	4,567,480	6,530,933
Foreign currency	177,107	240,938	912,244	3,905,066
Discounted bills	1,150,003	3,760,699	11,902,599	23,890,664
Loans	1,285,978	2,759,999	10,652,952	43,817,986
Other assets	6,636,443	20,789,707	48,933,192	53,719,003
Total	10,300,839	29,783,516	76,968,467	131,863,652
Liabilities				
Capital	642,950	7,049,149	11,986,750	20,653,509
Special capitals	134,571	265,002	401,815	702,494
Deposits	2,367,516	6,255,563	15,970,632	28,101,554
Re-discounts and credits	743,304	1,289,711	5,609,344	11,539,554
Other liabilities	6,412,498	14,924,091	42,999,926	70,866,541
Total	10,300,839	29,783,516	76,968,467	131,863,652

The development of Joint Stock Banks, in all operations, active as well as passive, is shown in the following table, by index figures, respecting the returns of the Joint Stock Banks during the last four years, reckoning the year 1924 as 100:

Assets.	1921	1922	1923	1924
Cash & current accounts	16	34	70	100
Foreign Currency	5	6	23	100
Discounted Bills	5	16	50	100
Loans	3	6	24	100
Other assets	12	39	91	100
	8	23	58	100

Liabilities.	1921	1922	1923	1924
Capital	3	34	58	100
Various capitals	19	38	57	100
Deposits	8	22	57	100
Re-discounts & credits	6	11	49	100
Other liabilities	9	21	61	100
	8	23	58	100

In the following table the balance of the Joint Stock Banks on the 1-st of January 1924 are indicated in lats:

Banks / Accounts	Riga Commercial Bank	Commerc. & Indust. Bank of Latvia	Riga Internation. Bank	Bank of Libau	Riga Credit Bank	Latvian Farmers Bank	Commercial Bank of Latvia	Farmers Central Bank
Assets.								
Cash & current acc.	643,686	454,556	184,972	191,799	663,188	204,900	88,190	76,097
Foreign currency	151,472	84,057	47,066	48,513	128,185	—	24,110	3,621
Bills discounted	2,262,694	1,719,655	920,241	426,712	403,235	1,017,629	683,705	648,010
Loans	—	44,059	880	—	700	—	—	160,510
Correspondents	9,941,848	304,181	3,571,827	269,787	297,364	—	337,046	—
Other assets	9,458,489	4,558,749	1,664,313	2,298,216	588,587	450,063	488,333	652,501
Total.	22,458,189	7,165,257	6,389,299	3,235,027	2,081,259	1,672,592	1,621,384	1,540,739
Liabilities.								
Capital	4,609,767	2,155,826	1,202,183	507,618	222,977	500,061	502,408	141,774
Deposits	2,766,634	2,016,156	2,414,775	903,328	1,289,460	572,057	374,468	373,242
Credits & re-discounts	519,557	487,358	380,047	82,111	—	472,193	328,041	485,917
Spec. cur. accounts	1,063,576	80,036	—	322,840	—	91,792	142,554	69,840
Correspondents	8,818,690	553,537	661,574	696,936	460,284	—	94,434	—
Other liabilities	4,679,965	1,872,344	1,730,720	722,194	108,538	36,489	179,479	469,966
Total.	22,458,189	7,165,257	6,389,299	3,235,027	2,081,259	1,672,592	1,621,384	1,540,739

The activities of Mutual Credit Societies develop likewise every year, not with regard to their number, but respecting to the total amount of their returns, which rapidly increase. The Joint Stock Banks increase in number as well as in returns. The returns of Mutual Credit Societies during the last four years were as follows:

Assets.	1921	1922	1923	1924
Cash and current accounts	403,346	832,701	824,994	1,531,696
Foreign currency	55,692	77,527	42,300	16,185
Discounted Bills	674,432	2,116,860	5,502,827	10,056,561
Loans	556,379	698,374	1,327,336	2,735,627
Other assets	1,713,731	3,094,457	4,600,950	3,042,376
	3,403,580	6,819,919	12,298,407	17,382,445

Liabilities.	1921	1922	1923	1924
Capital	138,016	329,271	810,654	1,424,809
Various capitals	49,555	184,352	417,726	307,104
Deposits	1,429,995	2,514,493	4,304,697	5,335,067
Re-discounts & credits	346,225	1,002,670	3,008,811	6,861,081
Various liabilities	1,439,789	2,789,133	3,756,519	3,454,384
	3,403,580	6,819,919	12,298,407	17,382,445

For the sake of better review, we give, in the following table, the index figures respecting returns of the Mutual Credit Societies, reckoning the year 1924 as 100:

Assets.	1921	1922	1923	1924
Cash & current accounts	26	54	54	100
Foreign currency	344	479	261	100
Discounted Bills	7	21	55	100
Loans	20	26	49	100
Other assets	56	102	151	100
	20	39	71	100
Liabilities.				
Capital	10	23	57	100
Special capitals	16	60	136	100
Deposits	27	47	81	100
Re-discounts & credits	5	15	44	100
Other liabilities	42	81	109	100
	20	39	71	100

Lastly, we wish to mention the group of the Savings and smaller Credit Institutions, respecting the extension of their activities within the last four years. It must be added, that the data for 1924 or for total returns on the 1-st of January, 1925 are incomplete, as several of these Savings and smaller Credit Institutions, also resp. Credit-Co-operations have, up to the present, not handed in their balance sheets.

Assets	1921	1922	1923	1924
Cash & current accounts	181,099	352,497	791,655	1,147,492
Foreign currency	1,232	—	19,946	—
Discounted Bills	—	—	—	7,886,057
Loans	968,908	2,606,741	9,708,982	4,779,589
Other assets	596,702	1,189,084	1,861,557	3,278,854
	1,747,941	4,148,322	12,382,140	17,091,992
Liabilities				
Capital	89,748	262,692	915,971	1,099,382
Special capitals	142,996	337,183	579,237	983,762
Deposits	1,066,569	1,848,629	3,902,459	5,038,360
Re-discounts & Credits	211,412	993,715	5,119,208	7,772,128
Other liabilities	237,216	706,103	1,865,265	2,198,360
	1,747,941	4,148,322	12,382,140	17,091,992

The discounting of bills was commenced by the Savings and Credit Institutions only in the previous year (1923), as formerly these operations were prohibited to them. The Stocks of Foreign Currency are rather small in these institutions, and during the last two years they have been quite exhausted. Nevertheless, the activities of the Savings and Credit Institutions develop every year. In order to have a clear account, respecting the development of all our Credit Institutions, we give below a summary of the balance returns of these Credit Institutions for the last years:

Assets	1921	1922	1923	1924
Cash & current accounts	1,635,753	3,417,370	6,184,129	9,210,121
Foreign Currency	234,031	318,465	974,489	3,921,251
Discounted Bills	1,824,435	5,877,559	17,405,426	41,833,282
Loans	2,811,264	6,065,113	21,689,270	51,333,202
Other assets	8,946,876	25,073,249	55,395,698	60,040,233
	15,452,359	40,751,756	101,649,012	166,338,089
Liabilities				
Capital	870,714	7,641,113	13,713,375	23,177,699
Special capitals	327,123	786,537	1,398,777	1,993,361
Deposits	4,864,080	10,618,684	24,177,787	38,474,980
Re-discounts & Credits	1,300,940	3,286,095	13,737,363	26,172,763
Other liabilities	8,089,502	18,419,327	48,621,710	76,519,286
	15,452,359	40,751,756	101,649,012	166,338,089

The activities of the Credit Institutions for the period of 1921—1924, illustrated by index figures, counting 1924 as 100, represent themselves as follows:

Assets	1921	1922	1923	1924
Cash & current accounts	18	37	67	100
Foreign currency	6	8	25	100
Bills discounted	4	14	42	100
Loans	5	12	42	100
Other assets	15	42	92	100
	9	24	61	100
Liabilities				
Capital	4	33	59	100
Various capitals	16	39	70	100
Deposits	13	28	63	100
Re-discounts & credits	5	13	52	100
Other liabilities	11	24	64	100
	9	24	61	100

Notwithstanding the development of the activities of the larger credit institutions, the pre-war state is, up to the present, not yet attained. Before the war, the total return balances amounted to 897·9 million lats, whereas, on 1-st January 1925, our returns were only 166·6 million lats. This sum does not contain the return balances of the three State Banks: Latvijas banka (Bank of Latvia), Latvijas hipoteku banka (The Mortgage Bank of Latvia) and Valsts zemes banka (State Land Bank). Together with these balances, the total of the last years' returns almost reaches the pre-war amount.

CORRESPONDENTS

OF THE

LATVIJAS BANKA.

Correspondents of the Latvijas Banka.

England:

The Royal Bank of Scotland	London
Barclays Bank Limited	„
Lloyds Bank Limited	„
Westminster Bank Limited	„
Samuel Montagu & Co	„
The National City Bank of New-York	„
Midland Bank Limited	„
Kleinwort, Sons & Co	„

U. S. America:

The National City Bank of New-York	New-York
Irving Bank Columbia Trust Company	„
Equitable Trust Company of New-York	„
Seabord National Bank	„

France:

Société Générale	Paris
Banque de Paris et des Pays-Bas	„
Comptoir National d'Escompte de Paris	„

Belgium:

Banque de Paris et des Pays-Bas	Brussels
Banque Belge pour l'Etranger	„
Banque d'Anvers	Antverp
Banque de Commerce	„

Switzerland:

Crédit Suisse	Zürich
Schweizerischer Bankverein	„

Italy:

Credito Italiano	Rome
Banca Commerciale Italiana	Milano

Holland:

Banque de Paris et des Pays-Bas	Amsterdam
Deutsche Bank, Filiale Amsterdam	„
Rotterdamsche Bankvereeniging	„
Handel Maatschappij H. Albert de Bary & Co	„

Sweden:

Stockholms Enskilda Bank	Stockholm
Svenska Ekonomiaktiebolaget	„

Norway:

Centralbanken for Norge	Oslo

Denmark:

Den Danske Landmandsbank	Kopenhagen
Kjöbenhavns Handelsbank	„

Czechoslovakia:

Živnostenska Banka	Prag
Banka Ceskoslovenských legii	„

Austria:

Anglo Austrian Bank	Vienna
Zivnostenská Banka	„

Germany:

Direction der Disconto Gesellschaft	Berlin
Deutsche Bank	„
Dresdner Bank	„
Darmstädter und Nationalbank	„
Berliner Handelsgesellschaft	„
J. Löwenherz	„
Commerz und Privatbank	Hamburg
Norddeutsche Bank	„
M. M. Warburg & Co	„
Allgemeine Deutsche Creditanstalt	Leipsic

Finland:

Suomen Pankki	Helsingfors
Unionbanken i Finland	„
A. B. Nordiska Föreningsbanken	„

Esthonia:

Eesti Pank	Tallinn
G. Scheel & Co	»

Lithuania:

Lietuvos Bankas	Kaunas
Lietuvos Tarptautinis Bankas	»
Lietuvos Komercijos Bankas	»

Poland:

Bank Polski	Warsaw
Bank Związku Spółek Zarobkowych	»
Banque d'Escompte de Varsovie	»
Bank Towaržystw Spółdzielczych	Vilno

Roumania:

Banque Belge pour l'Etranger	Boucarest

Russia:

State Bank of the U. S. S. R.	Moscow
» » » » » » » »	Leningrad
» » » » » » » »	Minsk

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LATVIJAS BANKA

BANK OF LATVIA

1925

MAP OF LATVIA.

INDICATION:

- RAILWAYS 1524 m/m. (RUSSIAN) GAUGE
- " " 1435 m/m. (NORMAL) GAUGE
- " "1000-600 m/m (OF SMALL GAUGE)
- FRONTIERS OF THE STATE
- FRONTIERS OF THE DISTRICTS
- RIVERS AND LAKES
- NEW TRACED RAILWAY LINE

HEAD OFFICE OF THE LATVIJAS BANKA.

BRANCHES:

- DOING ALL INLAND AND FOREIGN OPERATIONS
- DOING ALL INLAND OPERATIONS
- WITH LIMITED INLAND OPERATIONS

VALSTSPAPĪRU SPIESTUVE.

LATVIJAS BANKA.
BANK OF LATVIA.

REPORT
FOR
1925.

1926.

PRINTED AT THE STATE PRINTING-OFFICE.

ADMINISTRATION OF THE LATVIJAS BANKA.

COUNCIL.

RINGOLDS KALNINGS — *Chairman,* Member of the Saeima (Parliament), formerly Minister of Finance.

JĀNIS VESMANIS — *Deputy Chairman,* also Deputy Chairman of the Council of the Phoenix Wagon Works Limited.

MEMBERS.

PĒTERIS SIECENIEKS — Director of the Central Co-operative Association "Konzums".

JĀNIS ZEEBERGS — Chairman of the Riga Exchange Committee, formerly Minister of Commerce and Industry.

FRICIS MENDERS — Member of the Saeima.

ADOLFS KLĪVE — Member of the Saeima, Managing Director of the Riga Union Bank.

ALEKSANDRS KĀRKLIŅŠ — Representative of the Ministry of Finance, Director of the Credit Department.

KĀRLIS BENZE — Partner of the Commercial Industrial Association "The Metalist", formerly Member of the Constituent Assembly.

FRANCIS TRASUNS — Member of the Saeima.

JEZUPS TRASUNS — Member of the Saeima.

ADOLFS BĻODNIEKS — Member of the Saeima, Director of the First Latvian Insurance and Transport Joint Stock Company.

PĒTERIS PLOSTIŅŠ — Inspector of State Land for the district of Riga.

BOARD OF DIRECTORS.

EDGARS ŠVĒDE — *Governing Director.*

KĀRLIS VANAGS — *Deputy Governing Director.*

ERNESTS OZOLIŅŠ — *Director.*

VILIS BANDREVIČS — *Director.*

JĀNIS STALBOVS — *Director.*

LATVIJAS BANKA.

BANK OF LATVIA.

1925.

DURING the past year the work of reconstruction and development was energetically continued in all branches of our economic life. However, owing to various adverse circumstances, it was not possible to overcome all difficulties, some of which have even increased.

The prices of our agricultural produce have been gradually falling since 1921, while the wages of farm labourers have risen by $2^1/_2$ times in the last four years.

Unfavourable weather conditions at harvest time in 1923, and the failure of crops in the following year greatly handicapped our farmers. And, in prevailing circumstances, the cultivation of cereals is so unprofitable that it does not even cover the expenditure involved.

Last year's crop, though on the whole a good one, could not alleviate the position of the farmers to any marked extent, as the latter were still engaged in liquidating post-war difficulties and in combating the unfavourable economic conditions resultant from the previous year, in which endeavour they had to adopt more intensive methods of cultivation and pay more attention to cattle-breeding and other more remunerative branches of rural work, in order to increase their resources and improve their position. This necessitated large investments of capital, especially in such branches of rural activity where tangible results may be achieved but slowly and gradually. And the lack of the indispensable pecuniary aid was most keenly felt by our farmers in the past economic year.

Despite these hardships and vicissitudes in the sphere of agriculture, some positive results are nonetheless noticeable. These lead unmistakably in the direction of future agricultural development and are indicative of good prospects. In this connection, the most striking and characteristic feature is the progress made in stock farming, as evidenced by our exports of butter and meat, which have increased tenfold in the course of four years. The quantity exported in the year 1925 was double that of the preceding year, and returned a sum of Ls 33,812,000. The number of co-operative dairies in the country has increased from 84 to 640 during the last three years.

The scarcity of money and the deficient purchasing power of our farmers in conjunction with the abnormal and unsettled economic conditions in Europe, and particularly in the neighbouring countries since the war, also affected our

trade in the past year. Export trade was impeded by the fall in prices of our export goods, as timber, flax and hides, while the local market was unable to absorb all the goods imported.

Commercial conditions in 1925 were more conducive than in former years to reducing the exorbitant number of business establishments, so incompatible with the conditions in the country. That decrease was a welcome feature of the gradual return to the normal gauge of commerce. For example, trade licences of the higher categories were issued in the past three years as follows:

29,351 in 1923; 17,171 in 1924, and 3,651 in 1925.

In spite of the low purchasing power of our farmers, expensive credit and the unsettled state of foreign markets, our new industries have been developing and extending their activities, as is shown by the following data of our industrial undertakings and employed hands:

In 1921	1,709	undertakings	with	28,643	hands
„ 1922	1,906	„	„	31,827	„
„ 1923	2,032	„	„	40,614	„
„ 1924	2,598	„	„	48,134	„
„ 1925	3,200	„	„	53,034	„

These figures reveal greater development in respect of the smaller and medium sized enterprises, but during the past year some of our manufacturers embarked upon more pretentious schemes as the erection of a sugar factory, a flax spinning mill, a factory for the production of fertilizers and sulphuric acid, as also the enlargement of factories producing rubber articles, plywood and different wooden articles. These undertakings will employ a large number of hands and consume mostly domestic raw materials.

Notwithstanding these favourable aspects, our industries cannot hope to attract larger investments of foreign capital, or to develop more successfully in the near future, as long as the vast Russian market remains closed and the economic crisis in Europe prevails.

Lack of capital also prevents us from utilizing fully in our industrial plant the natural and cheap motive power available in the country.

Despite the adverse economic conditions, our financial position was entirely satisfactory in the year 1925. Since the fiscal year 1922—23 the Ministry of Finance has succeeded in presenting a balanced budget every year, and has managed even to economize fairly large sums for augmenting the reserve fund of the State.

Although, in the budget of the current year, revenue is less than it was last year, no deficit is expected. Moreover, it should be observed that year by year, allowances are made in the budget for some large items of expenditure which, in reality, are capital investments in different economic branches. For example in the budget of the fiscal year 1924—25 such sums involved 29·9 million lats, in 1925—26 those items of expenditure amounted to 35·2 million lats, and in the budget of the current year a sum of 35·3 millions is assigned for similar purposes. This may be regarded as an abnormal feature and burdensome to the rate-payers,

but it must be considered that the resuscitation of our economic life necessitates a considerable outlay, and pending the possibility of obtaining the requisite means on reasonable terms elsewhere, selfhelp is the only alternative.

An important achievement in our State finances during the past year was the funding of our indebtedness to Great Britain and to the United States of America for products and war materials supplied. The debt to Great Britain, amounting to £ 1,303,000 will be discharged within 30 years, while that to the United States of America, involving $ 5,755,000 will be settled in the course of 62 years.

Simultaneously with the arrangements made for the payment of these debts, negotiations have been started with a view to obtaining a foreign loan for the reconstruction of our ports and railways, and for other requirements.

The Ministry of Finance has been very cautious in its emission operations. Treasury notes have been withdrawn for practically the same amount of silver specie put into circulation, as the following table shows:

In circulation:	Treasury notes	Specie	Total
January 1, 1924 . .	46,400,000·—	8,200,000·—	54,600,000·—
February 1, 1925 . .	39,774,200·—	13,161,000·—	52,935,200·—
January 1, 1926 . .	31,871,000·—	23,411,000·—	55,282,000·—

The Bank of Latvia was as cautious in the employment of its emission rights in 1925 as in previous years, in strict adherence to the principle of providing full cover (100%) of gold and stable foreign currency for all its emissions. Consequently, the emissions of the Bank of Latvia in 1925 constituted only about a quarter of the amount of notes which it had a legal right to emit. (Vide diagram 1 and table 1).

The following table is illustrative of the amount of banknotes emitted by the Bank of Latvia:

In circulation:	Provisional 10-lat notes	50-lat notes	100-lat notes	Total
On January 1, 1923	9,800,000	—	—	9,800,000
„ „ 1, 1924	22,964,500	—	35,500	23,000,000
„ „ 1, 1925	24,507,000	—	6,400,000	30,907,000
„ „ 1, 1926	6,393,800	14,141,400	8,098,800	28,634,000

The above figures show that there was no increase in the emission of banknotes by the Bank of Latvia in 1925. For in connection with the emission of 50-lat notes, and anticipating the delivery of the new 20-lat notes, the Bank began last year to withdraw from circulation the provisional 10-lat notes, as is evidenced by the considerably reduced total of such notes in circulation at the beginning of the current year.

In the past year, as also in former years, State revenue and deposits of the Exchequer ranked foremost among the liabilities of the Bank and were conducive to the stability of the Bank's emissions and other operations.

Despite the general scarcity of money, the higher rates of interest obtainable in the open market, and the possibilities of more advantageous investments in

Emission of banknotes and allowed limit for emissions.

1922 (XI. & XII.) — 1925.

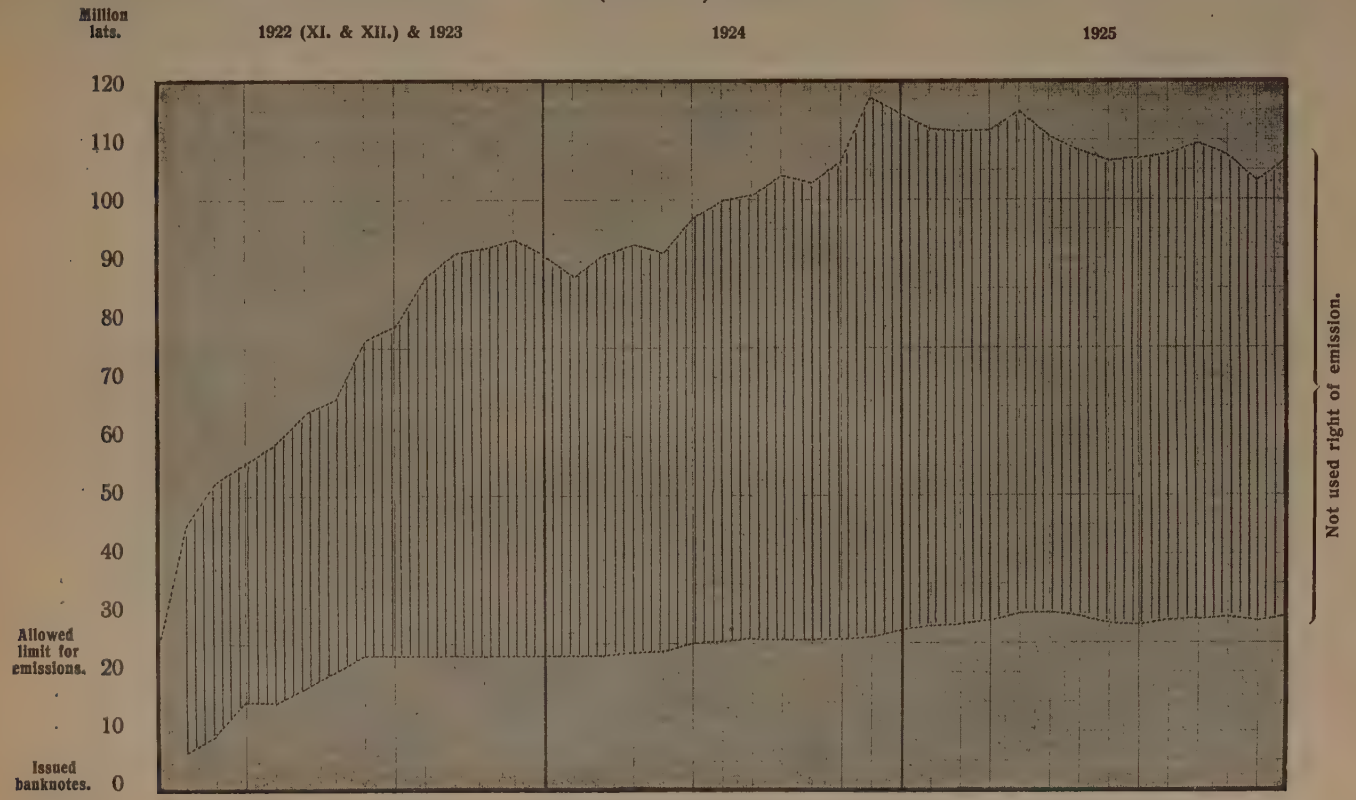


Diagram № 1.

Table I. Covering for Emissions.

Date	Percentage of cover as per weekly statements			Notes in circulation	Items of covering					Total cover		% of the Bank's emission
					Gold and foreign currency		% of the Bank's emiss.	Short termed bills in accord. with § 13 of the Statutes				
	Gold	$	£	Ls	Ls	s.		Ls	s.	Ls	s.	
1922												
Novemb. 1st	—	—	—	—	19,547,709	92	—	6,469,744	34	26,017,454	26	—
Decemb. 6th	—	225,427	236,124	6,740,000	38,171,584	57	566·34	6,755,764	43	44,927,349	—	666·58
1923												
January 3rd	—	226,468	359,468	9,800,000	44,996,453	72	459·15	7,204,742	21	52,201,195	93	532·67
Febr. 7th . .	—	225,617	569,611	15,000,000	47,541,256	18	316·94	7,745,226	76	55,286,482	94	368·58
March 7th .	—	225,617	569,611	15,000,000	51,526,404	93	343·51	7,275,541	16	58,801,946	09	392·01
April 4th . .	200	224,614	645,121	17,537,000	55,507,996	75	316·52	8,440,444	97	63,948,441	72	364·65
May 2nd . .	200	225,072	762,263	20,230,000	56,811,033	77	280·83	9,469,888	16	66,280,921	93	327·64
June 6th . .	200	225,040	880,395	23,000,000	66,242,661	66	288·01	9,905,497	02	76,148,158	68	331·08
July 4th . .	700	224,659	817,174	23,000,000	67,744,227	20	294·54	10,759,684	44	78,503,911	64	341·32
August 1st .	700	224,256	810,377	23,000,000	74,761,986	01	325·05	11,975,618	91	86,737,604	92	377·12
Sept. 5th . .	700	224,683	823,215	23,000,000	77,203,785	43	335·67	13,485,816	26	90,689,601	69	394·30
Octob. 3rd .	700	250,000	816,174	23,000,000	77,004,282	16	334·80	14,829,676	64	91,833,958	80	399·28
Novemb.7th	700	250,000	832,851	23,000,000	76,439,920	65	332·35	16,875,781	41	93,315,702	06	405·72
Decemb.5th	700	250,000	853,801	23,000,000	71,897,194	61	312·60	18,881,437	60	90,778,632	21	394·69
1924												
January 2th	700	250,000	861,540	23,000,000	66,814,803	30	290·50	20,182,361	10	86,997,164	40	378·25
Febr. 6th . .	1,000	1,200,000	594,294	23,000,000	69,039,900	81	300·17	21,596,100	55	90,636,001	36	394·07
March 5th .	1,000	1,750,000	486,522	23,350,000	69,067,236	64	295·79	23,381,804	31	92,449,040	95	395·93
April 2nd . .	1,000	1,750,000	502,503	23,714,000	66,125,397	29	278·85	24,886,301	02	91,011,698	31	383·79
May 7th . .	1,500	2,000,000	416,625	25,000,000	71,151,914	59	284·61	25,635,198	42	96,787,113	01	387·15
June 4th . .	1,500	2,000,000	437,558	25,300,000	69,794,519	45	275·87	30,101,411	85	99,895,931	30	394·85
July 2nd . .	1,500	2,000,000	458,031	25,800,000	66,817,974	22	258·98	33,784,154	02	100,602,128	24	389·93
August 6th .	1,800	2,000,000	399,192	25,800,000	65,403,910	41	253·50	38,583,829	85	103,987,740	26	403·05
Sept. 3rd . .	2,200	2,000,000	337,932	25,800,000	62,913,809	52	243·85	40,022,797	59	102,936,607	11	398·98
Octob. 1st .	2,200	2,000,000	339,917	25,800,000	64,452,264	50	249·81	41,960,362	34	106,412,626	84	412·45
Novemb.5th	2,200	2,000,000	342,336	26,000,000	73,969,751	02	284·50	43,040,602	29	117,010,353	31	450·04
Decemb.3rd	2,200	2,000,000	389,107	27,300,000	71,370,250	65	261·43	43,465,229	53	114,835,480	18	420·64
1925												
January 7th	2,200	2,000,000	522,608	27,911,540	66,128,923	47	236·92	45,636,280	68	111,765,204	15	400·43
Febr. 4th . .	2,200	2,000,000	407,958	28,075,750	64,593,312	57	230·07	47,010,635	16	111,603,947	73	397·51
March 4th .	2,200	1,500,000	544,396	28,781,540	62,875,305	38	218·46	48,851,217	72	111,726,523	10	388·19
April 1st . .	2,200	1,500,000	590,597	29,982,500	63,989,803	59	213·42	50,921,954	46	114,911,758	05	383·26
May 6th . .	2,200	1,500,000	585,789	30,079,740	58,543,238	49	194·63	52,041,017	45	110,584,255	94	367·64
June 3rd . .	2,200	1,500,000	560,706	29,478,130	56,758,421	55	192·54	52,252,807	18	109,011,228	73	369·80
July 1st . .	2,200	1,500,000	522,269	28,512,890	55,236,053	82	193·72	51,745,351	27	106,981,405	09	375·20
August 5 th.	2,400	1,500,000	491,909	28,424,160	55,417,029	52	194·96	51,805,676	51	107,222,706	03	377·22
Sept. 2nd . .	2,400	1,500,000	511,371	28,905,880	55,987,756	50	193·69	51,995,918	83	107,983,675	33	373·57
Oct. 7th . .	2,400	1,500,000	515,690	28,979,420	57,611,348	55	198·80	52,537,116	18	110,148,464	73	380·09.
Novemb.4th	2,400	1,500,000	530,529	29,365,350	56,032,526	07	190·81	52,010,842	02	108,043,368	09	367·93
Decemb.2nd	2,400	1,500,000	508,454	28,807,780	52,727,633	34	183·03	50,909,211	11	103,636,844	45	359·75
„ 30th	2,400	1,500,000	530,304	29,375,080	54,874,160	03	186·81	51,624,720	01	106,498,880	04	362·55

different undertakings, it is gratifying to observe that the deposits in Latvian credit institutions in 1925 presented an increase of approximately Ls 18,000,000, and about one-third of this was entrusted to the smaller credit institutions. This proves that our citizens, and particularly the country people, are gradually recovering the habit of economy. It also evidences the gradual restoration of public confidence in our credit institutions, which confidence had been shaken by the collapse of the Imperial Russian and German currencies. Deposits in the Bank of Latvia, including current accounts and correspondents' "Loro" accounts, increased in 1925 by Ls 5,881,000. Without considering the non-interest-bearing deposit and current accounts, the Bank paid from 4% to 6% interest per annum on all other deposits. These rates are lower than those allowed by most of our credit institutions, but compared with the normal rate employed by the Bank of Latvia in its general operations, they may be regarded as the maximal scale. Moreover, through the medium of its branches, the Bank of Latvia effects free of charge for its current-account clients, all their money transfer operations in the interior of the country; and being in permanent contact with the Postal Order Department, the Bank is able to facilitate payments and transfers throughout the country.

As the funds at the disposal of the Bank of Latvia are more than double the aggregate funds of all other credit institutions in the country, without taking its emission reserves into account, the position of the Bank in our money market is a dominant one, and enables it to work efficiently as a regulator of credit operations in the country.

The aggregate value of bills discounted and loan operations effected by the Bank of Latvia totalled Ls 114,345,000 at the end of the year 1925, and the participation of the Head Office and Branches of the Bank in the different operations is depicted in the following table (in lats, thousands omitted):

	Bills	Bonds and other securities	Industrial & agricult. plant.	Pledged goods & warrants	Credits on Merchandise	Total
Head Office . .	43,665	15,262	4,853	9,963	6,257	80,000
Liepāja	3,531	467	835	4,801	(k) 3·	9,631
Ventspils . . .	1,221	20	135	1,760	126	3,262
Jelgava	5,456	280	1,190	544	—	7,470
Daugavpils. . .	1,859	7	772	702	108	3,448
Rēzekne. . . .	2,232	8	977	695	—	3,912
Valmiera . . .	3,199	70	358	40	—	3,667
Cēsis	1,783	231	262	—	—	2,276
Kuldīga	415	18	169	77	—	679
	63,361	16,363	9,551	18,582	6,488	114,345

The distribution of the loans granted, including re-discount and re-lombarding operations, was as follows:

To farmers 42%
„ commercial undertakings . . 29%
„ industrial „ . . 29%

A comparison of the loan operations in 1925 with those of the preceding year is made below (in lats, thousands omitted):

	Bills	Bonds and other securities	Industrial & agricult. plant.	Pledged goods and warrants	Credits on merchandise	Total
On 1-st Jan. 1925	45,967	15,552	8,645	14,967	11,530	96,661
„ 1-st „ 1926	63,361	16,363	9,551	18,582	6,488	114,345
	+ 17,394	+ 811	+ 906	+ 3,615	— 5,042	+ 17,684

Thus, these operations presented an increase of Ls 17,684,000 in 1925. Nearly the whole of that amount falls to discounted Bills, these operations ranking foremost among the loan and credit operations of the Bank. Of the total amount of bills discounted, sixtythree percent comprised re-discount operations, and 37% ordinary discount.

If to the bills held by the Bank of Latvia for Ls 63,361,000 we add those discounted independently by private credit institutions for about Ls 26,000,000, we arrive at a total sum of Ls 89.361,000 for all the bills discounted in Latvia.

Considering the actual credit requirements, the total sum of discounted bills does not appear to be very large; however, the manner of granting these credits in our post-war conditions has produced some negative results in our economic life.

The excessive number of credit institutions has made credits too easily obtainable, with the result that, in some cases, the loans have not been appropriately used as short term credits, but sometimes even for purposes of direct consumption. Our merchants and manufacturers do not hesitate to deliver goods against bills, instead of adhering more to cash operations. The result is that bills are coming more and more into use as legal tender. Simultaneously with these commercial bills appear the so-called financial bills. General consumption and the purchasing power of the people have been artificially stimulated by the accessibility of credit. There is also a psychological moment for the increase of consumption, as marked by the return of the population to the pre-war mode of living. In the transitional post-war period, the people were accustomed to reckon currencies of inferior value in big numbers, after which they experience some difficulty in adapting themselves to a new standard of value and in basing their expenditure on a stable, valuable currency. Furthermore, the increase of consumption led to a general increase in prices. The retail trade index showed last year an increase of 20% over the prices quoted in 1922.

The increase of consumption on one side and insufficient productivity on the other, tended to augment the passiveness of our foreign trade balance, as shown by the following data:

The passiveness of our trade balance amounted

in	1923	to	Ls 49,943,000
„	1924	„	„ 85,850,000
„	1925	„	„ 100,974,000

This has naturally been detrimental to our paying balance, and it has been necessary to fall back on the foreign currency fund of the Bank of Latvia to adjust the same.

In order to check this undesirable process which could eventually have an unfavourable effect upon the stability of our currency, the Bank of Latvia elaborated in the latter half of the past year more stringent rules for the conduct of its credit policy in the future. It was admitted that the credits already granted could not be withdrawn unless for serious reasons, but it was resolved in principle that, in prevailing circumstances, the total sum of Ls 115,000,000 assigned for such credits, should not be exceeded, and eventual increases of credit should be permitted in exceptional cases only, if required by fully trustworthy firms for promoting export trade and augmenting domestic productivity.

In conformity with this principle, the Bank of Latvia had, by the end of 1925, almost entirely suspended the issue of increased credits to municipal credit institutions, to import firms, as well as letters of credit on import goods, with the exception of raw materials and machinery, necessary for domestic industries. No further loans were granted on imported goods, but an earnest effort was being made to assist our exports of timber, flax, clover seed and other goods, and finally to grant credits to such trustworthy enterprises as help, by their own productivity, to diminish or counteract the importation of foreign goods.

No sooner had the Bank of Latvia entered upon this new course in its credit policy, than the Government raised the question of increasing the scales of the import customs tariff.

Reverting to the passiveness of our trade balance, we would point to certain redeeming features, the principal of which may be said to be the investment of foreign capital in Latvian undertakings.

According to statistical data of the past year, foreign capital accounted for about 50% of the aggregate funds of our joint stock companies, viz., Ls 345,000,000, and was mostly in the form of long term investments. About 83% thereof was invested in industrial undertakings and banks, and only 17% in commercial enterprises. Considerable sums of foreign capital are also invested in private undertakings of other kinds, apart from such amounts as are brought into the country by visitors to our health resorts, through passengers, transit operations and other unregistered export items, so that on the whole our paying balance may be regarded as an active one. The fact that it nevertheless presented a passive aspect in the latter half of the past year, is a transitory phase only, which the State and the Bank of Latvia are determined to eliminate.

As the Latvian Mortgage Bank and the State Land Bank are unable to cope with all the demands for credit, and as large state deposits are constantly at the disposal of the Bank of Latvia, the latter had also in the past year to meet the pressing needs of the farmers and other producers by granting such credits as, from a commercial viewpoint, did not fall to its duties, as a credit institution for short term operations. Some of these credits consisted of loans against securities, mortgages on real estate in the country and in towns, as also loans on industrial

a) Short termed Bills and Loans against securities.
b) Deposits, Current accounts and State Deposits.
1922 (XI and XII), 1923, 1924, 1925.

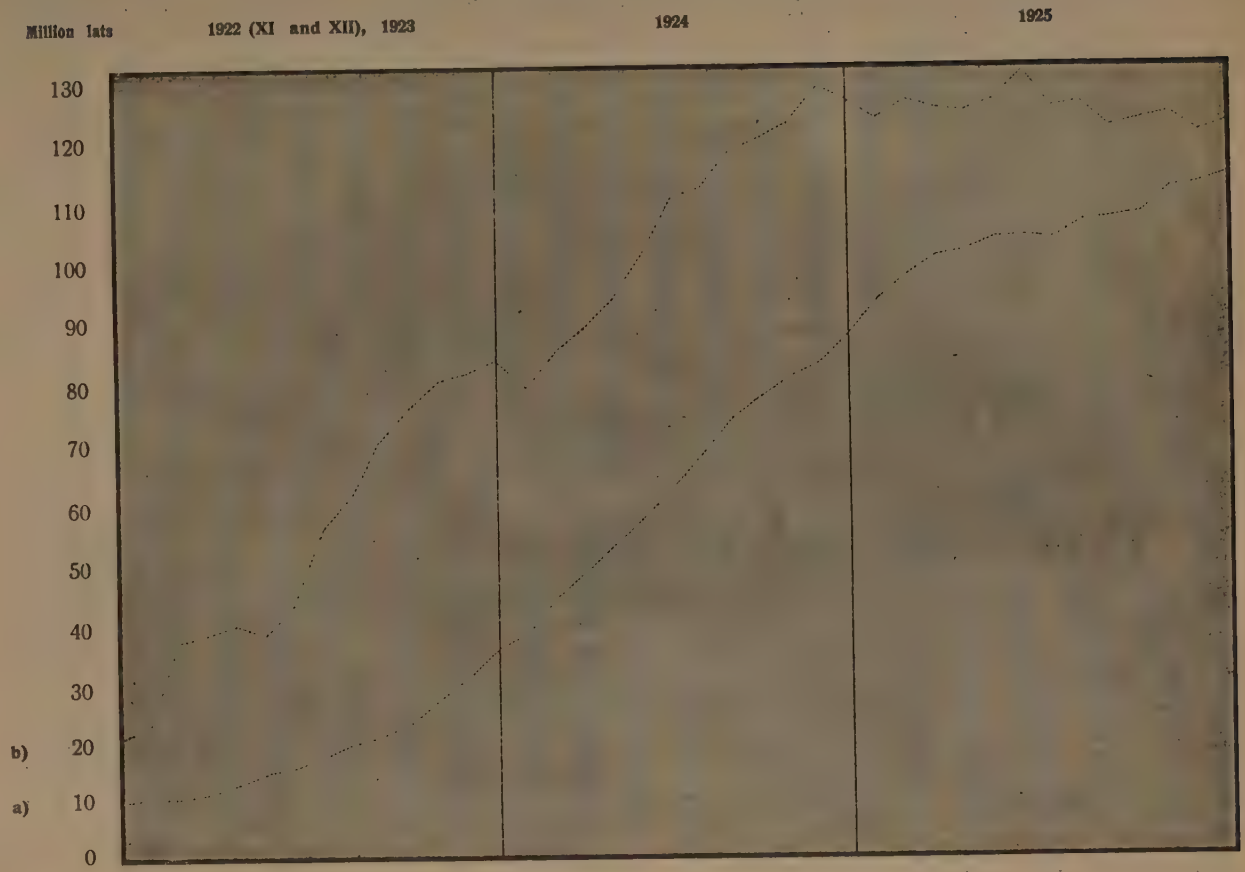


Diagram № 2.

and agricultural plant, and to the farmers on their grain through the local credit institutions.

Loans at fixed terms and on call, against bonds and other securities, increased during the past year from Ls 15,552,000 to Ls 16,363,000 i. e., by Ls 811,000. — These were distributed among the different economic branches as follows: Ls 8,544,000 to manufacturers, Ls 3,184,000 to merchants and Ls 4,635,000 to farmers.

Loans on industrial and agricultural plant increased from Ls 8,645,000 to Ls 9,551,000, i. e., by Ls 906,000. To the industrial undertakings the loans were issued chiefly by the Bank of Latvia direct, but to the farmers through the local credit institutions. In consequence of the poor harvest in recent years, some difficulty was anticipated in regard to the repayment of these credits; on the whole, however, our farmers made rational use of the credits obtained, and met their obligations promptly.

Miscellaneous loans on goods and against shipping documents increased last year from Ls 14,967,000 to Ls 18,582,000, i. e., by Ls 3,615,000.— The distribution of such loans was as follows:

To industrial undertakings	Ls 10,290,000
„ commercial „ „	5,500,000
„ farmers	2,792,000

Hitherto such forms of credit had been granted to manufacturers and merchants only; however, considering the low prices of cereals last autumn, the Bank of Latvia began also to issue loans on grain, direct to the producers, through the local credit institutions, up to 50% of the market value, so as to enable the farmers to dispose of their grain later at higher prices.

These loans on grain will be refunded gradually, as the pledged grain is redeemed; however, not later than during the first half of 1926.

Credits were utilized by the different branches of industry to the following extent:

Wood-working	Ls 4,700,000
Textile	„ 2,146,000
Metallurgical	„ 1,183,000
Paper	„ 906,000
Mineral	„ 703,000
Other branches	„ 641,000

The merchants availed themselves of these credits not only for import goods as corn, machinery, coal etc., but to an almost equal extent for export goods as linseed, hides, clover seed, etc.

With a view to diminishing imports, and considering the comparatively satisfactory harvest in 1925, which allowed of diminishing the quantity of imported grain, the Goods Credits Account was reduced to Ls 6,448,000 by the end of the year.

The said Account registers the issue of the following sums in the last three years:

In 1923	Ls 11,416,000
„ 1924	„ 46,234,000
„ the first half of 1925	„ 30,349,000
„ „ latter „ „ 1925	„ 23,100,000

These figures reveal the marked increase of imports in recent years. Sugar, grain and different machinery were the principal imports financed through this credit section.

During the past year the Bank of Latvia charged interest on loans at the rate of 7% to 10% per annum in general, but in respect of loans to the farmers, the Bank always endeavoured to employ the lowest possible rate, compatible with conditions in the internal money market.

The account of gold specie and bullion shows only a small turnover for the past year.

The stock of foreign currency decreased last year from Ls 47,314,000 to Ls 28,964,000, i. e., by Ls 18,350,000. This was due to the increase of imports and to the extensive government orders placed abroad, which involved large sums of foreign currency. It is gratifying to observe that the Bank's reserves of foreign currency were able to cope with all these demands.

Foreign currency was bought last year for Ls 350,360,000, sold for Ls 368,710,000, and returned a profit of Ls 2,082,000, excluding interests on correspondents' accounts. One-fifth of this profit was produced by the rise of the pound sterling to parity, while the remainder was derived from the difference in rate between purchases and sales and from arbitration of exchange. The Bank's reserves of foreign currency comprise U. S. dollars and pounds sterling.

Our currency has been sound ever since its stability was based on the gold parity in 1921—22, as is evident from the tables given below, indicating the average rates of the dollar, the Swiss franc, the Dutch florin and the pound sterling on the Riga Exchange from 1923 to 1925, as also the quotation of the Lat on the London, Berlin and Tallinn Exchanges during the past year.

With regard to the activities of the provincial branches of the Bank of Latvia, considerable progress has been made, as is evidenced by the following comparison of loans granted in recent years by the Head Office in Riga and the Branches which are entitled to execute all inland and foreign operations:

	Head Office Ls	Branches Ls	Total Ls
January 1, 1924	30,863,000	7,812,000	38,675,000
„ 1, 1925	72,971,000	23,690,000	96,661,000
„ 1, 1926	80,000,000	34,345,000	114,345,000

In connection with the increased turnover, the branches which transact all banking operations, presented last year an aggregate profit of Ls 1,952,758·42.

$, Swiss francs, Dutch guilders and £ average rates at the Riga Exchange.

1923—1925.

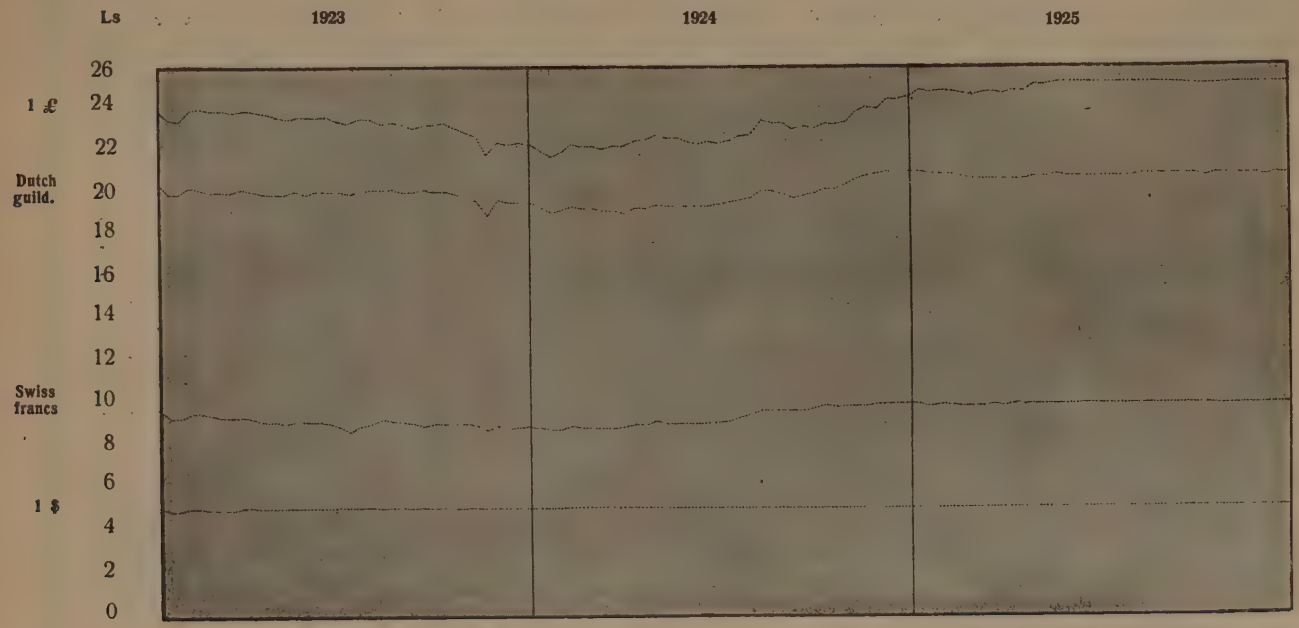


Diagram № 3.

Table 2. Rates of Exchange for the Lat at the London, Berlin and Reval Exchange in 1925.

Date	London	Berlin	Reval	Date	London	Berlin	Reval
January 5	24·65	81·84	72·50	July 5	25·22	81·60	72·50
„ 10	24·75	80·70	72·50	„ 10	25·22	80·60	72·50
„ 15	24·82	80·63	72·50	„ 15	25·27	80·70	72·50
„ 20	24·75	80·70	72·50	„ 20	25·27	80·65	72·50
„ 25	24·87	80·75	72·50	„ 25	25·27	80·70	72·50
„ 30	24·82	80·40	72·50	„ 30	25·27	80·75	72·50
February 5	24·81	80·75	72·50	August 5	25·27	80·75	72·50
„ 10	24·79	80·60	72·50	„ 10	25·27	80·75	72·50
„ 15	24·72	80·75	72·50	„ 15	25·27	80·80	72·50
„ 20	24·71	80·60	72·50	„ 20	25·27	80·75	72·50
„ 25	24·80	80·65	72·50	„ 25	25·27	80·83	72·50
„ 28	24·77	80·60	72·50	„ 30	25·27	80·80	72·50
March 5	24·75	80·70	72·50	September 5	25·27	81·10	72·50
„ 10	24·80	80·60	72·50	„ 10	25·27	80·50	72·50
„ 15	24·87	80·70	72·50	„ 15	25·27	80·80	72·50
„ 20	24·87	80·63	72·50	„ 20	25·27	80·80	72·50
„ 25	24·82	80·75	72·50	„ 25	25·27	80·80	72·50
„ 30	24·85	80·75	72·50	„ 30	25·10	81·06	72·50
April 5	24·85	80·65	72·50	October 5	25·09	80·75	72·50
„ 10	24·85	80·75	72·50	„ 10	25·09	80·75	72·50
„ 15	24·85	80·68	72·50	„ 15	25·09	80·75	72·50
„ 20	24·85	80·53	72·50	„ 20	25·08	80·70	72·50
„ 25	24·95	80·64	72·50	„ 25	25·12	80·84	72·50
„ 30	25·15	80·50	72·50	„ 30	25·12	80·45	72·50
May 5	25·20	80·60	72·50	November 5	25·11	80·35	72·50
„ 10	25·22	80·63	72·50	„ 10	25·11	80·30	72·50
„ 15	25·27	80·70	72·50	„ 15	25·11	80·60	72·50
„ 20	25·30	80·65	72·50	„ 20	25·10	80·60	72·50
„ 25	25·27	80·65	72·50	„ 25	25·10	80·60	72·50
„ 30	25·27	80·70	72·50	„ 30	25·10	80·60	72·50
June 5	25·27	80·53	72·50	December 5	25·15	80·55	72·50
„ 10	25·27	80·53	72·50	„ 10	25·12	80·60	72·50
„ 15	25·22	80·35	72·50	„ 15	25·10	80·70	72·50
„ 20	25·22	80·50	72·50	„ 20	25·13	80·70	72·50
„ 25	25·22	80·35	72·50	„ 25	25·13	80·70	72·50
„ 30	25·22	80·50	72·50	„ 30	25·22	80·70	72·50

As the deposit accounts with the branches are inconsiderable, rendering a total of only Ls 6,621,000, the branches execute their active operations with the help of funds from the Head Office, as is revealed by the fact that the indebtedness of the branches to the Head Office corresponds to the amount of loans issued by the branches. The branches with limited inland operations are unable to cover the cost of their maintenance with the revenue from such operations and, strictly speaking, work at a loss.

In consequence of payments made for real estate acquired previously for the requirements of the Bank, the real estate account increased in 1925 from Ls 80,000 to Ls 225,000. The Bank of Latvia now possesses its own premises in Liepāja, Cēsis, Tukums, Talsi, Jēkabpils and Aizpute.

With the constant development of operations, the premises of the Head Office are becoming insufficient, and the question has been raised as to the acquisition of new premises in Riga to meet the Bank's growing requirements.

On January 1-st, 1926 there were 702 officials in the service of the Bank, 381 of whom were employed at the Head Office, and 321 in the branches.

On July 7, 1925 the Bank of Latvia was bereaved of one of its most ardent and successful workers, by the death of the late Director Alfred Varenais, who had already rendered meritorious services in the management of the former State Savings Bank, and later helped to organize and promote the activities of the Bank of Latvia.

Mr. Jānis Stalbovs, former Manager of the Discount Section of the Bank, was appointed Director in place of the deceased, in autumn 1925.

On a total turnover of Ls 4,118,218,990·37 in the past year the Bank of Latvia derived a gross profit of Ls 14,501,410·66, and

a net profit of Ls 7,150,641·68.

In establishing the net profit, apart from the usual deductions for the payment of interest, current expenditure etc., the following reserves were made, on the principle adopted in the preceding year: Ls 1,500,000 as a special reserve fund for the Bank's operations, and Ls 2,222,380.99 for covering eventual losses on protested bills and on loans to be recovered by legal process.

The following transfers were made from the net profit of Ls 7,150,641·68 after its apportionment in the manner laid down in the statutes, deducting the percentage (bonus) due to the administrative organs and officials of the Bank:

To founded capital	Ls 1,787,660·42
„ reserve „	„ 715,064·17
„ State Revenue	„ 4,226,800·02

These entries having been effected, the Bank's capital comprised the following sums:

Founded capital	Ls 13,446,905·58
Reserve capital	„ 2,236,778·67
Special reserve fund	„ 2,500,000·—
	Total Ls 18,183,684·25

This reveals an increase of the Bank's own capital by 80% in the course of three years, whereby the Bank transferred the remainder of its net profit to State Revenue thus:

In 1923	Ls	104,792·36
In 1924	„	3,296,301·76
In 1925	„	4,226,800·02
Total	Ls	7,627,894·14

Summing up the activities of the Bank of Latvia in the past year, it must be admitted that the adverse conditions of the period under review tended to diminish the Bank's stock of foreign currency. On the whole, however, the Bank of Latvia worked successfully at the fulfilment of its object, and began operations in the new year with increased capital and reserves.

RETURNS

1925.

(IN LATS.)

I. Capital.

Capital on January 1, 1926 . . . . . Ls 11,659,245·16

II. Rezerve Fund.

Reserve Fund on January 1, 1926 . . . . . Ls 1,521,714·50

III. Latvijas Bankas active operations security fund.

Active operations security fund on January 1, 1926 . . . . . Ls 2,500,000·—

	Head Office	Branches	Total
IV. Returns.			
For 1925	3228809444 33	889,409,546 04	4118218990 37
V. Cash.			
Balance in hand on 1 I 1925 . . .	4,990,797 61	8,129,460 47	13,120,258 08
Received in 1925	602,222,294 99	215,904,247 93	818,126,542 92
	607,213,092 60	224,033,708 40	831,246,801 —
Paid out in 1925	601,337,009 85	215,883,149 47	817,220,159 32
Balance on 1 I 1926	5,876,082 75	8,150,558 93	14,026,641 68
VI. Gold Specie.			
Cash per 1 I 1925	901,940 60	23,948 50	925,889 10
Received in 1925	751,800 15	40,134 41	791,934 56
	1,653,740 75	64,082 91	1,717,823 66
Paid out in 1925	704,075 71	55,187 95	759,263 66
Balance on 1 I 1926	949,665 04	8,894 96	958,560 —
Profit on gold specie	224,067 49	1,328 64	225,396 13
VII. Silver Specie.			
Balance on 1 I 1925	101 83	3,500 55	3,602 38
Received in 1925	74,675 23	25,970 32	100,645 55
	74,777 06	29,470 87	104,247 93
Paid out in 1925	74,132 30	25,688 13	99,820 43
Balance on 1 I 1926	644 76	3,782 74	4,427 50
Profit on silver specie	10,962 18	1,728 12	12,690 30

	Head Office	Branches	Total
VIII. Bullion.			
Balance on 1 I 1925	7,931,900 80	— —	7,931,900 80
Received in 1925	355,412 95	— —	355,412 95
	8,287,313 75	— —	8,287,313 75
Paid out in 1925	417,978 43	— —	417,978 43
Balance on 1 I 1926	7,869,335 32	— —	7,869,335 32
IX. Bullion. State Deposit.			
Balance on 1 I 1925	14,732,937 76	— —	14,732,937 76
Received in 1925	62,680 53	— —	62,680 53
	14,795,618 29	— —	14,795,618 29
Paid out in 1925	62,680 53	— —	62,680 53
Balance on 1 I 1926	14,732,937 76	— —	14,732,937 76
X. Foreign Currency.			
Balance on 1 I 1925	318,120 28	65,101 —	383,221 28
Received in 1925	4,951,535 06	423,733 49	5,375,268 55
	5,269,655 34	488,834 49	5,758,489 83
Paid out in 1925	4,816,770 74	442,783 26	5,259,554 —
Balance on 1 I 1926	452,884 60	46,051 23	498,935 83
Profit on foreign currency	32,876 57	9,039 73	41,916 30
Commission received on foreign curr.	5,154 32	23,413 11	28,567 43
	38,030 89	32,452 84	70,483 73
XI. Money in Transit.			
Balance on 1 I 1925	6,180 30	— —	6,180 30
Remitted to correspondents	147,985 25	11,474 71	159,459 96
	154,165 55	11,474 71	165,640 26
Received by correspondents	154,165 55	11,474 71	165,640 26
Balance on 1 I 1926	— —	— —	— —
Profit	— —	135 37	135 37

	Head Office	Branches	Total
XII. Foreign Drafts.			
Balance on 1 I 1925	— —	804 80	804 80
Received during the year	— —	1,425,234 78	1,425,234 78
	— —	1,426,039 58	1,426,039 58
Despatched during the year	— —	1,425,503 99	1,425,503 99
Balance on 1 I 1926	— —	535 59	535 59
Profit	— —	3,670 94	3,670 94
XIII. Foreign Drafts with Corresp.			
Balance on 1 I 1925	6,102,102 97	1,986 02	6,104,088 99
Sent to corresp. in 1925	76,986,516 43	1,528,115 19	78,514,631 62
	83,088,619 40	1,530,101 21	84,618,720 61
Collected by correspondents	74,331,562 81	1,529,489 92	75,861,052 73
Balance on 1 I 1926	8,757,056 59	611 29	8,757,667 88
Profit on these drafts	216,258 37	419 79	216,678 16
XIV. Postal Cheques.			
Balance on 1 I 1925	442,411 64	574,089 09	1,016,500 73
Received during 1925	25,991,181 98	8,453,625 39	34,444,807 37
	26,433,593 62	9,027,714 48	35,461,308 10
Returned in 1925	26,081,875 95	8,662,000 46	34,743,876 41
Balance on 1 I 1926	351,717 67	365,714 02	717,431 69
Interest received	2,952 29	2,237 56	5,189 85
XV. Bonds.			
Balance on 1 I 1925	33,398 50	19,736 —	53,134 50
Received in 1925	61,978 86	29,655 50	91,634 36
	95,377 36	49,391 50	144,768 86
Delivered in 1925	63,024 86	29,649 50	92,674 36
Balance on 1 I 1926	32,352 50	19,742 —	52,094 50
Profit on bonds	4,252 14	1,166 27	5,418 41

	Head Office		Branches		Total	
Specification of bonds held by the Head Office:						
1020 bonds 4% Latv. internal loan à Ls 2·—	2,040	—				
3743 bonds 5% Latv. Liberty loan of 1918 à Ls —·50	1,871	50				
19,706 bonds 5% Latv. Liberty loan à Ls 1·—	19,706	—				
1679 bonds 5% Latv. Liberty loan of 1918 à Ls 5·—	8,395	—				
14 bonds 5% Latv. Liberty loan of 1918 à Ls 10·—	140	—				
2 bonds 5% Latv. Liberty loan of 1918 à Ls 100.—	200	—				
Total pieces 26,164	32,352	50				
Bonds held by Branches:						
5081 bonds 4% Latv. internal loan à Ls 2·—			10,162	—		
1116 bonds 5% Latv. Liberty loan of 1918 Ls —·50			· 558	—		
4857 bonds 5% Latv. Liberty loan of 1918 Ls 1·—			4,857	—		
591 bonds 5% Latv. Liberty loan of 1918 Ls 5·—			2,955	—		
121 bonds 5% Latv. Liberty loan of 1918 Ls 10·—			1,210	—		
Total pieces 11,766			19,742	—		
XVI. Discounted Bills.						
Balance on 1 I 1925	27,106,677	44	9,146,691	83	36,253,369	27
Discounted in 1925	141,807,421	24	47,916,999	45	189,724,420	69
	168,914,098	68	57,063,691	28	225,977,789	96
Redeemed in 1925	133,961,485	34	44,557,253	23	178,518,738	57
Balance on 1 I 1926	34,952,613	34	12,506,438	05	47,459,051	39
Interest received	3,241,868	70	981,132	61	4,223,001	31
Commission received	94,022	26	41,023	06	135,045	32
	3,335,890	96	1,022,155	67	4,358,046	63

	Head Office	Branches	Total
XVII. Discounted Bills with Corresp.			
Balance on 1 I 1925	239,163 65	414,354 44	653,518 09
Sent in 1925	8,606,594 54	7,903,841 83	16,510,436 37
	8,845,758 19	8,318,196 27	17,163,954 46
Redeemed and returned	8,519,968 65	7,411,812 43	15,931,781 08
Balance on 1 I 1926	325,789 54	906,383 84	1,232,173 38
XVIII. Special Current Accounts.			
a) Secured by Bills.			
Balance on 1 I 1925	5,530,937 74	3,529,733 56	9,060,671 30
Paid out in 1925	15,464,019 86	13,809,888 59	29,273,908 45
	20,994,957 60	17,339,622 15	38,334,579 75
Refunded in 1925	12,608,186 72	11,057,234 —	23,665,420 72
Balance on 1 I 1926	8,386,770 88	6,282,388 15	14,669,159 03
Interest received	456,429 15	382,452 89	838,882 04
Commission received	1,406 99	18,658 63	20,065 62
	457,836 14	401,111 52	858,947 66
b) Covered by various securities.			
Balance on 1 I 1925	6,529,927 12	569,542 58	7,099,469 70
Paid out in 1925	4,145,102 14	351,915 43	4,497,017 57
	10,675,029 26	921,458 01	11,596,487 27
Refunded 1925	4,464,622 21	305,973 79	4,770,596 —
Balance on 1 I 1926	6,210,407 05	615,484 22	6,825,891 27
Interest received	722,000 66	58,755 53	780,756 19
Commission received	25,203 20	2,738 11	27,941 31
	747,203 86	61,493 64	808,697 50
c) Covered by industrial and agricultural plant.			
Balance on 1 I 1925	3,556,878 81	3,594,736 29	7,151,615 10
Paid out in 1925	1,492,126 91	2,246,714 05	3,738,840 96
Transport	5,049,005 72	5,841,450 34	10,890,456 06

	Head Office	Branches	Total
Transport	5,049,005 72	5,841,450 34	10,890,456 06
Repaid in 1925	1,465,364 42	1,579,033 48	3,044,397 90
Balance on 1 I 1926	3,583,641 30	4,262,416 86	7,846,058 16
Interest received	270,864 55	280,454 97	551,319 52
Commission received	537 16	1,433 85	1,971 01
	271,401 71	281,888 82	553,290 53
d) Covered by goods.			
Balance on 1 I 1925	8,626,631 08	4,968,818 24	13,595,449 32
Paid out in 1925	17,504,505 89	13,468,137 51	30,972,643 40
	26,131,136 97	18,436,955 75	44,568,092 72
Refunded in 1925	16,798,593 65	10,056,154 18	26,854,747 83
Balance on 1 I 1926	9,332,543 32	8,380,801 57	17,713,344 89
Interest received	717,372 06	556,699 20	1,274,071 26
Commission received	75,191 41	90,983 10	166,174 51
	792,563 47	647,682 30	1,440,245 77
e) Covered by documents for goods.			
Balance on 1 I 1925	807,395 96	125,493 31	932,889 27
Paid out in 1925	1,313,010 70	2,891,101 96	4,204,112 66
	2,120,406 66	3,016,595 27	5,137,001 93
Refunded in 1925	1,929,547 60	2,836,230 63	4,765,778 23
Balance on 1 I 1926	190,859 06	180,364 64	371,223 70
Interest received	54,203 41	10,978 66	65,182 07
Commission received	882 21	7,302 27	8,184 48
	55,085 62	18,280 93	73,366 55
XIX. Loans.			
a) Against bonds and other securities.			
Balance on 1 I 1925	7,854,831 28	597,703 97	8,452,535 25
Granted in 1925	4,454,311 36	743,186 50	5,197,497 86
Transport	12,309,142 64	1,340,890 47	13,650,033 11

	Head Office	Branches	Total
Transport	12,309,142 64	1,340,890 47	13,650,033 11
Refunded in 1925	3,257,909 42	854,800 41	4,112,709 83
Balance on 1 I 1926	9,051,233 22	486,090 06	9,537,323 28
Interest received	827,245 98	47,254 01	874,499 99
Commission received	198,257 —	452 07	198,709 07
b) Against industrial & agricultural plant.	1,025,502 98	47,706 08	1,073,209 06
Balance on 1 I 1925	1,149,341 43	343,542 64	1,492,884 07
Granted in 1925	632,022 32	547,659 43	1,179,681 75
	1,781,363 75	891,202 07	2,672,565 82
Refunded in 1925	512,549 28	454,200 93	966,750 21
Balance on 1 I 1926	1,268,814 47	437,001 14	1,705,815 61
Interest received	112,474 47	39,492 47	151,966 94
Commission received	— —	4,168 11	4,168 11
	112,474 47	43,660 58	156,135 05
c) Against goods.			
Balance on 1 I 1925	372,184 —	46,034 —	418,218 —
Granted in 1925	495,925 29	108,566 67	604,491 96
	868,109 29	154,600 67	1,022,709 96
Refunded in 1925	428,256 29	97,899 59	526,155 88
Balance on 1 I 1926	439,853 —	56,701 08	496,554 08
Interest received	36,210 50	4,978 16	41,188 66
Commission received	— —	287 24	287 24
	36,210 50	5,265 40	41,475 90
XX. Advances against Documents.			
Balance on 1 I 1925	— —	21,068 45	21,068 45
Advanced in 1925	— —	125,629 79	125,629 79
	— —	146,698 24	146,698 24
Refunded in 1925	— —	146,698 24	146,698 24
Balance on 1 I 1926	— —	— —	— —
Interest received	— —	1,770 28	1,770 28
Commission received	— —	152 97	152 97
	— —	1,923 25	1,923 25

	Head Office	Branches	Total
XXI. Letters of Credit.			
Balance on 1 I 1925	11,197,711 49	332,241 04	11,529,952 53
Issued in 1925	51,474,098 29	1,975,370 90	53,449,469 19
	62,671,809 78	2,307,611 94	64,979,421 72
Refunded in 1925	56,414,403 03	2,076,827 66	58,491,230 69
Balance on 1 I 1926	6,257,406 75	230,784 28	6,488,191 03
Interest received	989,166 86	42,484 —	1,031,650 86
Commission received	495,058 97	15,825 44	510,884 41
XXII. Accounts with Correspondents "Nostro".	1,484,225 83	58,309 44	1,542,535 27
Balance on 1 I 1925 in favour of the Bank	40,819,649 39	— —	40,819,649 39
Correspondents booked in 1925 to the Banks' credit	264,885,786 38	— —	264,885,786 38
Correspondents booked in 1925 to the Banks' debit	305,705,435 77 285,998,938 18	— — — —	305,705,435 77 285,998,938 18
Balance on 1 I 1926 in favour of the Bank	19,706,497 59	— —	19,706,497 59
Interest paid by the Bank	1,801 12	— —	1,801 12
„ received by the Bank	1,056,439 16	— —	1,056,439 16
Profit derived	1,790,690 15	— —	1,790,690 15
XXIII. Accounts of Correspondents "Loro".			
Balance on 1 I 1925 in favour of correspondents	378,891 85	— —	378,891 85
In favour of the Bank	1,030 50	— —	1,030 50
Balance due to correspondents . . .	377,861 35	— —	377,861 35
Received from correspond. in 1925 .	13,501,395 66	— —	13,501,395 66
	13,879,257 01	— —	13,879,257 01
Payments effected for corresp. in 1925 .	13,084,607 43	— —	13,084,607 43
Balance on 1 I 1926	794,649 58	— —	794,649 58
In favour of correspond.	803,296 58	— —	803,296 58
In favour of the Bank	8,647 —	— —	8,647 —
Balance due to correspondents . . .	794,649 58	— —	794,649 58
Interest received by the Bank . . .	1,021 58	— —	1,021 58
Interest paid by the Bank	21,207 64	— —	21,207 64

	Head Office	Branches	Total
XXIV. Collections.			
a) Bills for collection.			
Balance on 1 I 1925	1,982,404 36	1,293,382 81	3,275,787 17
Entered in 1925	22,035,218 84	28,545,382 30	50,580,601 14
	24,017,623 20	29,838,765 11	53,856,388 31
Redeemed in 1925	22,068,568 52	27,804,062 39	49,872,630 91
Balance on 1 I 1926	1,949,054 68	2,034,702 72	3,983,757 40
b) Documents for collection:			
Balance on 1 I 1925	535,158 94	145,977 85	681,136 79
Entered in 1925	7,192,244 02	2,504,960 05	9,697,204 07
	7,727,402 96	2,650,937 90	10,378,340 86
Redeemed in 1925	7,142,751 15	2,576,633 04	9,719,384 19
Balance on 1 I 1926	584,651 81	74,304 86	658,956 67
c) Bills sent to Correspondents and Branches:			
Balance on 1 I 1925	659,652 66	89,221 93	748,874 59
Transmitted in 1925	10,487,402 02	1,487,187 70	11,974,589 72
	11,147,054 68	1,576,409 63	12,723,464 31
Redeemed in 1925	10,385,805 55	1,437,808 73	11,823,614 28
Balance on 1 I 1926	761,249 13	138,600 90	899,850 03
d) Documents sent to Correspondents and Branches:			
Balance on 1 I 1925	48,355 03	29,731 36	78,086 39
Transmitted in 1925	3,454,833 56	2,919,232 61	6,374,066 17
	3,503,188 59	2,948,963 97	6,452,152 56
Redeemed in 1925	3,079,248 26	2,782,459 26	5,861,707 52
Balance on 1 I 1926	423,940 33	166,504 71	590,445 04
e) Collections Creditors:			
Balance on 1 I 1925	3,225,570 99	1,558,313 95	4,783,884 94
Received doc. for collect. in 1925 . .	43,152,265 34	35,446,024 37	78,598,289 71
Transport	46,377,836 33	37,004,338 32	83,382,174 65

	Head Office	Branches	Total
Transport	46,377,836 33	37,004,338 32	83,382,174 65
Redeemed in 1925	42,658,940 38	34,590,225 13	77,249,165 51
Balance on 1 I 1926	3,718,895 95	2,414,113 19	6,133,009 14
Rec. Commission on these transactions	54,487 07	18,133 19	72,620 26
XXV. Furniture & Fixtures.			
Balance on 1 I 1925	120,835 93	74,412 16	195,248 09
Acquisitions in 1925	90,226 18	53,066 66	143,292 84
	211,062 11	127,478 82	338,540 93
Written off 1925	26,209 33	23,727 55	49,936 88
Balance on 1 I 1926	184,852 78	103,751 27	288,604 05
XXVI. Real Property.			
Balance on 1 I 1925	— —	89,293 36	89,293 36
Acquisitions in 1925	— —	147,987 71	147,987 71
	— —	237,281 07	237,281 07
Amortization written off for 1925 . .	— —	12,099 04	12,099 04
Balance on 1 I 1926	— —	225,182 03	225,182 03
XXVII. Protested Bills.			
Balance on 1 I 1925	364 —	137 —	501 —
Protested in 1925	599,106 99	315,816 54	914,923 53
	599,470 99	315,953 54	915,424 53
Redeemed and written off 1925 . . .	573,825 54	314,583 54	888,409 08
Balance on 1 I 1926	25,645 45	1,370 —	27,015 45
XXVIII. Transitory Values.			
Balance on 1 I 1925	5,394,007 45	1,170,978 60	6,564,986 05
Received in 1925	67,109,146 23	6,823,793 73	73,932,939 96
	72,503,153 68	7,994,772 33	80,497,926 01
Disbursed in 1925	25,124,045 31	6,571,667 98	31,695,713 29
Balance on 1 I 1926	47,379,108 37	1,423,104 35	48,802,212 72

	Head Office	Branches	Total
XXIX. Disbursements to be refunded.			
Balance on 1 I 1925	5,893 19	1,563 36	7,456 55
Disbursed in 1925	56,392 29	47,233 82	103,626 11
	62,285 48	48,797 18	111,082 66
Refunded in 1925	55,258 81	46,589 93	101,848 74
Balance on 1 I 1926	7,026 67	2,207 25	9,233 92
XXX. Special current accounts on security.			
Balance on 1 I 1925	36,687,152 89	18,584,569 83	55,271,722 72
Received in 1925	53,687,012 53	33,949,714 62	87,636,727 15
	90,374,165 42	52,534,284 45	142,908,449 87
Paid out in 1925	48,945,735 51	22,719,491 50	71,665,227 01
Balance on 1 I 1926	41,428,429 91	29,814,792 95	71,243,222 86
XXXI. Special current accounts secured by Bills bearing two signatures.			
Balance on 1 I 1925	6,988,439 94	4,237,160 52	11,225,600 46
Received Bills in 1925	35,655,174 89	16,929,727 87	52,584,902 76
	42,643,614 83	21,166,888 39	63,810,503 22
Delivered Bills	31,836,976 59	13,882,777 89	45,719,754 48
Balance on 1 I 1926	10,806,638 24	7,284,110 50	18,090,748 74
XXXII. Securities for advances and letters of credit issued.			
Balance on 1 I 1925	24,924,231 54	505,075 26	25,429,306 80
Received in 1925	40,897,039 84	3,994,676 59	44,891,716 43
	65,821,271 38	4,499,751 85	70,321,023 23
Returned in 1925	51,127,246 32	4,175,004 85	55,302,251 17
Balance on 1 I 1926	14,694,025 06	324,747 —	15,018,772 06
XXXIII. Deposited Bills:			
Balance on 1 I 1925	29,061,960 —	12,370,654 20	41,432,614 20
Received in 1925	34,252,179 58	19,078,803 10	53,330,982 68
Transport	63,314,139 58	31,449,457 30	94,763,596 88

	Head Office	Branches	Total
Transport	63,314,139 58	31,449,457 30	94,763,596 88
Delivered in 1925	31,621,733 28	14,447,873 20	46,069,606 48
Balance on 1 I 1926	31,692,406 30	17,001,584 10	48,693,990 40
XXXIV. Debtors for guarantees given.			
Balance on 1 I 1925	77,928 —	— —	77,928 —
Guarantees granted in 1925	776,318 72	— —	776,318 72
	854,246 72	— —	854,246 72
Guarantees expired	686,403 53	— —	686,403 53
Balance on 1 I 1926	167,843 19	— —	167,843 19
XXXV. Banknotes in Circulation.			
Balance on 1 I 1925	30.907.000 —	— —	30,907,000 —
Issued in 1925	16.200.000 —	— —	16,200,000 —
	47,107,000 —	— —	47,107,000 —
Withdrawn in 1925	18,473,000 —	— —	18,473,000 —
Balance on 1 I 1926	28,634,000 —	— —	28,634,000 —
XXXVI. Deposits.			
a) Terminated:			
Balance on 1 I 1925	2,415,820 36	84,782 25	2,500,602 61
Paid in in 1925	2,277,403 93	100,695 63	2,378,099 56
	4,693,224 29	185,477 88	4,878,702 17
Paid out in 1925	1,279,148 34	40,151 88	1,319,300 22
Balance on 1 I 1926	3,414,075 95	145,326 —	3,559,401 95
Paid interest on these	178,896 65	6,374 83	185,271 48
b) Unterminated (savings booklets):			
Balance on 1 I 1925	1,192,909 55	1,310,679 04	2,503,588 59
Paid in in 1925	1,772,713 99	1,538,351 99	3,311,065 98
	2,965,623 54	2,849,031 03	5,814,654 57
Paid out in 1925	1,327,705 15	1,092,921 01	2,420,626 16
Balance on 1 I 1926	1,637,918 39	1,756,110 02	3,394,028 41
Paid interest on these	66,320 80	70,193 51	136,514 31

	Head Office	Branches	Total
c) Bearing no interest and not terminated.			
Balance on 1 I 1925	— —	63,961 95	63,961 95
Paid in in 1925	— —	370,424 39	370,424 39
	— —	434,386 34	434,386 34
Paid out in 1925	— —	327,536 26	327,536 26
Balance on 1 I 1926	— —	106,850 08	106,850 08
XXXVII. Current Accounts.			
a) Ordinary current accounts.			
Balance on 1 I 1925	33,331,915 02	3,375,396 19	36,707,311 21
Paid in in 1925	360,092,379 27	115,839,675 45	475,932,054 72
	393,424,294 29	119,215,071 64	512,639,365 93
Paid out in 1925	364,131,787 33	115,396,613 43	479,528,400 76
Balance on 1 I 1926	29,292,506 96	3,818,458 21	33,110,965 17
Paid interest on these	1,195,763 05	122,574 96	1,318,338 01
b) Current accounts bearing no interest.			
Balance on 1 I 1925	919,377 44	673,432 57	1,592,810 01
Paid in in 1925	34,164,809 04	13,146,029 82	47,310,838 86
	35,084,186 48	13,819,462 39	48,903,648 87
Paid out in 1925	31,025,603 29	13,025,624 46	44,051,227 75
Balance on 1 I 1926	4,058,583 19	793,837 93	4,852,421 12
c) Current accounts in foreign currency.			
Balance on 1 I 1925	4,104,865 84	27,134 78	4,132,000 62
Paid in in 1925	19,806,783 57	80,380 18	19,887,163 75
	23,911,649 41	107,514 96	24,019,164 37
Paid out in 1925	15,972,011 27	106,469 41	16,078,480 68
Balance on 1 I 1926	7,939,638 14	1,045 55	7,940,683 69
Paid interest	96,765 24	80 77	96,846 01
Loss on exchange	6,802 79	— —	6,802 79

	Head Office	Branches	Total
XXXVIII. Transfers.			
a) Inward, not paid out.			
Balance on 1 I 1925	10,825 56	17,826 85	28,652 41
Received in 1925	898,505 12	3,141,586 01	4,040,091 13
	909,330 68	3,159,412 86	4,068,743 54
Effected during the year	898,061 01	3,117,667 15	4,015,728 16
Balance on 1 I 1926	11,269 67	41,745 71	53,015 38
Commission received	4,738 29	5,062 45	9,800 74
b) Outward, not paid out.			
Balance on 1 I 1925	10,468 90	— —	10,468 90
Received in 1925	2,011,305 73	13,209 01	2,024,514 74
	2,021,774 63	13,209 01	2,034,983 64
Effected in 1925	2,014,911 23	12,687 01	2,027,598 24
Balance on 1 I 1926	6,863 40	522 —	7,385 40
Commission received	10,655 67	5,074 90	15,730 57
c) Payments ordered from abroad.			
Balance on 1 I 1925	63,347 69	— —	63,347 69
Ordered during the year	4,123,572 11	79,691 40	4,203,263 51
	4,186,919 80	79,691 40	4,266,611 20
Effected in 1925	3,978,100 91	79,691 40	4,057,792 31
Balance on 1 I 1926	208,818 89	— —	208,818 89
XXXIX. Head Office & Branches.			
Balance on 1 I 1925:			
Liabilities of Branches to the Head Office	25,846,129 84	— —	— —
Assets of the Head Off. with the Branches	— —	25,846,129 84	— —
During the year 1925:			
In the Head Office, Branches were debited with	151,755,181 48	— —	— —
In the Branches, the Head Office was credited with	— —	152,513,469 17	— —
During the year 1925:	177,601,311 32	178,359,599 01	— —
In the Branches, the Head Office was debited with	— —	143,612,494 18	— —
In the Head Office, Branches were credited with	142,854,206 49	— —	— —
Balance on 1 I 1926:			
In the Head Office, Branches were debited with	34,747,104 83	— —	— —
In the Branches, the Head Office was credited with	— —	34,747,104 83	— —

	Head Office	Branches	Total
XL. Guarantees granted.			
Balance on 1 I 1925	77,928 —	— —	77,928 —
Guarantees given in 1925	776,318 72	— —	776,318 72
	854,246 72	— —	854,246 72
Guarantees availed of and expired	686,403 53	— —	686,403 53
Balance on 1 I 1926	167,843 19	— —	167,843 19
XLI. Various Persons & Institutions.			
Balance on 1 I 1925 Head Office Debit	106,807 58	— —	— —
Balance on 1 I 1925 Branches Credit	— —	217,444 05	— —
During 1925 Head Office was charged	6,528,713 68	— —	— —
During 1925 Branches were credited	— —	40,739,934 06	— —
	6,635,521 26	40,957,378 11	— —
During 1925 Head Office was credited	5,713,417 81	— —	— —
During 1925 Branches were charged	— —	40,735,445 91	— —
Balance on 1 I 1926 Head Office Debit	922,103 45	— —	— —
Balance on 1 I 1926 Branches Credit	— —	221,932 20	— —
XLII. Transitory Sums.			
Balance on 1 I 1925 Head Office Credit	3,502,125 76	— —	— —
Balance on 1 I 1925 Branches Debit	— —	66,119 98	— —
During 1925 Head Office was credited	251,995,806 27	— —	— —
During 1925 Branches were debited	— —	6,257,596 99	— —
	255,497,932 03	6,323,716 97	— —
During 1925 Head Office was debited	253,579,231 46	— —	— —
During 1925 Branches were credited	— —	6,296,190 09	— —
Balance on 1 I 1926 Head Office Credit	1,918,700 57	— —	— —
Balance on 1 I 1926 Branches Debit	— —	27,526 88	— —
XLIII. Interest received in advance.			
Received interest in 1925	493,789 66	195,580 08	689,369 74
Paid interest in 1925	245 25	70 24	315 49
Balance on 1 I 1926	493,544 41	195,509 84	689,054 25

	Head Office		Branches		Total	
XLIV. State Revenue.						
Taxes received in 1925	78,313	76	10,013	93	88,327	69
Transferred to Revenue	78,313	76	10,013	93	88,327	69
Balance on 1 I 1926	—	—	—	—	—	—
XLV. Various Securities Committers Account.						
Balance on 1 I 1925	97,661,784	37	35,697,459	81	133,359,244	18
Received securities in 1925	162,660,849	63	73,491,662	31	236,152,511	94
	260,322,634	—	109,189,122	12	369,511,756	12
Delivered during the year	161,701,134	49	54,763,887	57	216,465,022	06
Balance on 1 I 1926	98,621,499	51	54.425.234	55	153.046.734	06
XLVI. Transitory Sums Committers Account.						
Balance on 1 I 1925	5,394,007	45	1,170,978	60	6,564,986	05
Received in 1925	67,109,146	23	5,823,572	93	72,932,719	16
	72,503,153	68	6,994,551	53	79,497,705	21
Delivered in 1925	25,124,045	31	5,571,447	18	30,695,492	49
Balance on 1 I 1926	47,379,108	37	1,423,104	35	48,802,212	72
XLVII. State Accounts.						
a) Expenditure.						
Balance on 1 I 1925	135,010,955	31	—	—	135,010,955	31
Expenditure during the year	167,817,518	61	1,683,443	35	169,500,961	96
	302,828,473	92	1,683,443	35	304,511,917	27
Refunded & transferred in 1925 . .	200,422,492	94	1,683,443	35	202,105,936	29
Balance on 1 I 1926	102,405,980	98	—	—	102,405,980	98
b) Revenue.						
Balance on 1 I 1925	153,589,706	47	—	—	153,589,706	47
Received in 1925	224,960,638	67	24,386,556	62	249,347,195	29
Transport	378,550,345	14	24,386,556	62	402,936,901	76

	Head Office		Branches		Total	
Transport	378,550,345	14	24,386,556	62	402,936,901	76
Refunded and transferred in 1925 . .	273,657,307	98	24,386,556	62	298,043,864	60
Balance on 1 I 1926	104,893,037	16	—	—	104,893,037	16
c) Deposits & special resources.						
Balance on 1 I 1925	61,343,786	12	978,442	69	62,322,228	81
Entered during the year	176,282,007	02	1,926,938	44	178,208,945	46
	237,625,793	14	2,905,381	13	240,531,174	27
Paid out during the year	166,739,180	12	1,433,041	42	168,172,221	54
Balance on 1 I 1926	70,886,613	02	1,472,339	71	72,358,952	73

PROFIT AND LOSS ACCOUNT

1925.

Debit. **Profit and**

	Head Office		Branches		Total	
Paid:						
Interest on terminated deposits . . .	178,896	65	6,374	83	185,271	48
„ „ untermin. „ . . .	66,320	80	70,193	51	136,514	31
„ „ current account	1,195,763	05	122,574	96	1,318,338	01
„ „ „ „ in foreign curr.	96,765	24	80	77	96,846	01
„ „ accounts of correspondents	23,008	76	—	—	23,008	76
Current expenditure:						
Fees to the Members of the Council	58,213	33	—	—	58,213	33
„ „ „ Administration	68,956	66	—	—	68,956	66
Salaries to Officials and Servants . .	660,107	26	520,249	83	1,180,357	09
Compensations to Officials in connect. with appointments, etc.	4,950	—	360	—	5,310	—
Fees to Members of the Discount Committee	10,570	—	15,379	—	25,949	—
Stationery	161,157	52	20,426	16	181,583	68
Administrative and travelling expenses	13,708	20	7,178	36	20,886	56
Household expenses	94,737	69	72,426	25	167,163	94
Printing and issue of lat notes . . .	88,275	18	—	—	88,275	18
Wear and tear of furniture, fixtures and real property, written off . . .	22,690	86	33,435	84	56,126	70
Loss on accounts in foreign curr. . .	6,802	79	—	—	6,802	79
„ „ sundries	8,742	63	41	86	8,784	49
„ „ protested Bills written off . .	2,023,490	18	198,890	81	2,222,380	99
Transferred to active operations security fund	1,500,000	—	—	—	1,500,000	—
	6,283,156	80	1,067,612	18	7,350,768	98
Total net profit	5,491,256	60	1,659,385	08	7,150,641	68
	11,774,413	40	2,726,997	26	14,501,410	66

Loss Account. *Credit.*

	Head Office		Branches		Total	
Received:						
Interest on discounted Bills	3,241,868	70	981,132	61	4,223,001	31
„ „ special current a/c.	2,220,869	83	1,289,341	25	3,510,211	08
„ „ terminated loans	975,930	95	93,494	92	1,069,425	87
„ „ letters of credit	989,166	86	42,484	—	1,031,650	86
„ „ a/c. of correspondents	1,057,460	74	—	—	1,057,460	74
„ „ sundries	2,952	29	4,455	59	7,407	88
Commission on transactions in foreign currency	5,154	32	23,413	11	28,567	43
Commission on discounted Bills	94,022	26	41,023	06	135,045	32
„ „ special curr. accounts	103,220	97	121,115	96	224,336	93
„ „ terminated loans	198,257	—	5,060	39	203,317	39
„ „ letters of credit	495,058	97	15,825	44	510,884	41
„ „ collections	54,487	07	18,133	19	72,620	26
„ „ inward transfers	4,738	29	5,062	45	9,800	74
„ „ outward transfers	10,655	67	5,074	90	15,730	57
„ „ sundries	277	71	47,147	95	47,425	66
Profit on gold specie	224,067	49	1,328	64	225,396	13
„ „ silver specie	10,962	18	1,728	12	12,690	30
„ „ foreign curr. and drafts	249,134	94	13,265	83	262,400	77
„ „ a/c. "Nostro" with correspond.	1,790,690	15	—	—	1,790,690	15
„ „ securities	4,252	14	1,166	27	5,418	41
Bad debts recovered	31,891	70	12,482	70	44,374	40
Sundry profits	9,293	17	4,260	88	13,554	05
	11,774,413	40	2,726,997	26	14,501,410	66

BALANCE SHEET

31st DECEMBER, 1925.

(IN LATS.)

Assets. Balance Sheet on 1st

	Head Office	Branches	Total
Cash	5,876,082 75	8,150,558 93	14,026,641 68
Gold specie	949,665 04	8,894 96	958,560 —
Silver specie	644 76	3,782 74	4,427 50
Bullion	7,869,335 32	—	7,869,335 32
„ deposited by the Exchequ.	14,732,937 76	—	14,732,937 76
Foreign currency	452,884 60	46,051 23	498,935 83
„ drafts	—	535 59	535 59
„ „ with correspondents	8,757,056 59	611 29	8,757,667 88
Postal cheques	351,717 67	365,714 02	717,431 69
Bonds	32,352 50	19,742 —	52,094 50
Discounted Bills	34,952,613 34	12,506,438 05	47,459,051 39
„ „ with correspondents	325,789 54	906,383 84	1,232,173 38
Spec. curr. a/c. secured by Bills	8,386,770 88	6,282,388 15	14,669,159 03
„ „ „ by bonds & other oblig.	6,210,407 05	615,484 22	6,825,891 27
„ „ „ various plant	3,583,641 30	4,262,416 86	7,846,058 16
„ „ „ goods	9,332,543 32	8,380,801 57	17,713,344 89
„ „ „ by documents & goods	190,859 06	180,364 64	371,223 70
Loans against bonds & other oblig.	9,051,233 22	486,090 06	9,537,323 28
„ „ various plant	1,268,814 47	437,001 14	1,705,815 61
„ „ goods	439,853 —	56,701 08	496,554 08
Letters of Credit for goods	6,257,406 75	230,784 28	6,488,191 03
Correspondents "Nostro" a/c.	19,706,497 59	—	19,706,497 59
Bills for collection	1,949,054 68	2,034,702 72	3,983,757 40
Documents for collection	584,651 81	74,304 86	658,956 67
Bills for collection with corresp.	761,249 13	138,600 90	899,850 03
Documents for collection with corresp.	423,940 33	166,504 71	590,445 04
Inventory	184,852 78	103,751 27	288,604 05
Real estate	—	225,182 03	225,182 03
Protested Bills	25,645 45	1,370 —	27,015 45
Transitory sums	47,379,108 37	1,423,104 35	48,802,212 72
Refunded disbursements	7,026 67	2,207 25	9,233 92
Spec. curr. a/c. different securities	41,428,429 91	29,814,792 95	71,243,222 86
„ „ „ sec. by Bills bear. 2 sign.	10,806,638 24	7,284,110 50	18,090,748 74
Secur. for advanc., guar. & lett. of cred.	14,694,025 06	324,747 —	15,018,772 06
Bills deposited	31,692,406 30	17,001,584 10	48,693,990 40
Debtors for guaranties given	167,843 19	—	167,843 19
Branches	34,747,104 83	—	34,747,104 83
Various persons & institutions	922,103 45	—	922,103 45
Transitory sums	—	27,526 88	27,526 88
State expenditure	102,405,980 98	—	102,405,980 98
	426,909,167 69	101,563,234 17	528,472,401 86

Chief Accountant (signature): *E. Lacis.*

January, 1926. *Liabilities.*

	Head Office	Branches	Total
Capital fully paid up	11,659,245 16	—	11,659,245 16
Reserve funds	1,521,714 50	—	1,521,714 50
The Bank's active operat. security fund	2,500,000 —	—	2,500,000 —
Banknotes issued	28,634,000 —	—	28,634,000 —
Deposits terminated	3,414,075 95	145,326 —	3,559,401 95
„ unterminated	1,637,918 39	1,756,110 02	3,394,028 41
„ „ not bearing interest	—	106,850 08	106,850 08
Current accounts	29,292,506 96	3,818,458 21	33,110,965 17
„ „ not bearing interest	4,058,583 19	793,837 93	4,852,421 12
„ „ in foreign currency	7,939,638 14	1,045 55	7,940,683 69
Inland transfers not paid out	11,269 67	41,745 71	53,015 38
Outward „ „ „ „	6,863 40	522 —	7,385 40
Foreign payment orders	208,818 89	—	208,818 89
Correspondents "Loro" a/c.	794,649 58	—	794,649 58
Head Office a/c.	—	34,747,104 83	34,747,104 83
Guarantees given	167,843 19	—	167,843 19
Collections Creditors	3,718,895 95	2,414,113 19	6,133,009 14
Various persons & institutions	—	221,932 20	221,932 20
Transitory sums	1,918,700 57	—	1,918,700 57
Interest received in advance	493,544 41	195,509 84	689,054 25
Various securities from committers	98,621,499 51	54,425,234 55	153,046,734 06
Transitory values from committers	47,379,108 37	1,423,104 35	48,802,212 72
State Revenues	104,893,037 16	—	104,893,037 16
Depos. & spec. resources of the Exchcq.	70,886,613 02	1,472,339 71	72,358,952 73
Profit and Loss	7,150,641 68	—	7,150,641 68
	426,909,167 69	101,563,234 17	528,472,401 86

Governing Director (sig.): *E. Švēde.* Deputy Govern. Dir.: *K. Vanags.*

Directors: *V. Bandrevičs, E. Ozoliņš, J. Stalbovs.*

Report of the Auditing Committee of the Latvijas Banka.

The Auditing Committee, having examined the Report of the Bank for the year 1925, and verified the balance sheet which is footed with Lats 528,472,401·86 on January 1, 1926, as also the profit and loss account showing a net profit of Lats 7,150,641·68, has found the above mentioned Report, balance sheet, and profit & loss account, to be correct and in conformity with the entries in the books.

(Signed) *J. Mengots, Chairman of the Auditing Committee.*

(Signed) *A. Kacens, Jānis Vītols, Members.*

Extract from the Minutes of the meeting of the Council of the Latvijas Banka on April 15, 1926. No. 344.

The Governing Director reads the report of the Auditing Committee regarding the control of the Bank's activities, and the verification of its balance sheet and profit and loss account for the year 1925, which were found correct and in accordance with the entries in the books.

The Council decides to confirm the Report for 1925 and the resultant net profit of Lats 7,150,641·68.

The Money Market and Private Credit Institutions.

The unfavourable economic conditions which prevailed last year reacted rather noticeably on our money market. Owing to the fall in prices and slackening of the demand for our timber and other export goods, a portion of the capital invested in various enterprises could not be turned into ready money, and this in face of the increasing payments for imported goods, some of which, as cloth etc., had been imported in excess of the actual requirement, while other items as agricultural machinery, implements, fertilizers etc., were re-sold on credit ranging up to 12 months. These circumstances naturally intensified the difficult position of our limited money market, rendering more poignant the lack of current funds and augmenting the demand for credit.

Conditions did not improve during the latter half of the past year, for with a view to checking the efflux of foreign currency and counteracting other undesirable features of our economic life, the Bank of Latvia resolved to limit the granting of further credit, whereby the issue of credits for import purposes was almost entirely suspended. Our private banks were unable to remedy the resultant scarcity of money. In these circumstances, the rate of interest on loans in the private money market ranged from 12% to 24%, whereas credits, available at a rate of interest above 15% proved unserviceable not only for agricultural purposes and real estate, but also in commerce and industry.

The municipal credit institutions, which were operating with the financial assistance of the Bank of Latvia, were not allowed to charge their clients more than 15% interest, while the rural credit institutions were restricted to 12%. Some of the institutions, especially those in the country, charged even lower rates.

The Council of the Bank of Latvia expressed the desire last year, in principle, to lower these maximum rates of the credit institutions, on the ground that there was too large a difference between the discount rate of the institutions and the re-discount rate of the Bank of Latvia, and that a general decline of interest rates was desirable; however, in the prevailing circumstances, this plan had to be shelved.

The tension in our money market, in so far as it is caused by the new policy of the Bank of Latvia, is gradually relaxing.

Under the present circumstances, our merchants and manufacturers will have gradually to abandon the granting of exorbitant credit to customers, and the latter in their turn will have to exercise greater care in their credit operations, and endeavour to avoid unproductive expenditure, which policy, from a general economic point of view, is only to be desired.

The fact remains, however, that despite these measures, it is impossible to satisfy the entire demand for credit, unless the influx of foreign capital is augmented, which would swell the current of our commercial affairs and radically improve the situation. The continued influx of foreign capital in our private banks and industrial enterprises is a favourable move in this direction. It is also to be hoped that the negotiations of our Government regarding a foreign loan will lead to tangible results. Such a loan on reasonable terms, involving the purchase of our long term debentures, would release a portion of the funds of the Bank of Latvia and other credit institutions, which are now absorbed by long term credits, and would tend to lower the rate of interest in the private money market.

As is obvious from the Balance Sheet and Returns of the Bank of Latvia, its position among our credit institutions is a dominant one , in as much as it constitutes the only source of assistance. On January ,1 1926 the aggregate credits granted by the Bank of Latvia to private credit institutions totalled Ls 52,000,000. Thereof, 62% to Savings Banks, 24% to Joint Stock Banks and 14% to Mutual Credit Societies.

Many Joint Stock Banks were established with small capital in the years immediately following the proclamation of Latvian independence, in consequence of the favourable conjuncture for operations in foreign currency. Their number has reached 21 with an aggregate stock capital of Ls 24,000,000. — From the standpoint of the State, a further increase in the number of such small credit institutions is not desirable. Therefore a law was passed to the effect that the founded capital of new Joint Stock Banks should not be less than 5,000,000 lats in each case. The result was that no more joint stock banks were founded. As our economic conditions became more stable, the operations of our joint stock banks became more normal and did not return such large profits as in former years. Having only a small stock capital which, together with insignificant deposits, constitutes all the funds at their disposal, some of these banks, after defraying comparatively heavy overhead expenses and other fees, are left with very small profits, which precludes the possibility of lowering the rates of interest on loans. In order to strengthen and improve their position, some of our joint stock banks are endeavouring to increase their stock capital, while others contemplate amalgamation.

The mutual credit societies, savings banks and loan offices are mostly for the purpose of assisting the farmers and the smaller urban enterprises. Their number increased during the past year, viz., the credit societies from 25 to 33, and the savings and loan offices from 215 to about 500.

The rapid increase in the number of the Savings and Loan Banks, compared with the Mutual Credit Societies, is due to the fact that the former can be established more easily and enjoy practically the same rights and privileges as the latter. These Offices are mostly located in the country and dependent on the Bank of Latvia for funds. Through their medium the Bank of Latvia has granted loans in various forms to the farmers and, at the present time, a net of these small credit offices is spread pretty equally all over Latvia.

Before assisting these small offices, the Bank first ascertains whether they are working on a sound basis, and whether there are no older credit institutions in the neighbourhood.

In conclusion, it is gratifying to observe that the deposits in these small savings and loan banks are steadily increasing, a circumstance which justifies the hope that they will, in time, develop into the guardians of the people's savings as they used to be before the war.

Joint Stock Companies.

Since the stabilisation of our currency, the lat, and the reform of our monetary system, it has been observed that the newly organized, larger enterprises are established preferably as Joint Stock Companies. In recent years very many licences for the establishment of such companies were left unused, as the promoters could not raise the necessary capital. The Ministry of Finance has issued about 500 licences for establishing joint stock companies, but only about 50% of these, namely 268 companies, have come into being. In most cases the others could not commence activities owing to the lack of funds. The hopes which were entertained of attracting foreign capital, have not yet been fully realized, and local funds have proved insufficient for providing all the necessary Stock Capital.

The shares of Latvian companies are, as a rule, not distributed among the general public, but are usually in the possession of a few leading financiers. This may be ascribed to the fact that the bulk of our population does not yet possess sufficient savings for investing in bonds and shares, though it should be observed that, also in former times, instead of investing their money in shares, the local people were wont to bank all their capital in the credit institutions, where they had a permanent income at a fixed rate of interest.

Although, owing to unfavourable economic conditions, the number of new Joint Stock Companies has diminished, several fairly large undertakings have nevertheless been established. These are mostly branches of foreign Joint Stock Companies (though chartered as independent companies in Latvia), and private enterprises converted into Joint Stock Companies. Of our pre-war Joint Stock Companies, some have resumed activity while others, as the First Latvian Sugar factory and the Mīlgrāvis superphosphate factory (formerly Hoeflinger) are still in the process of reconstruction.

Comparing the number and capital of our Joint Stock Companies before the war, with those of the last two years, we observe some remarkable changes:

	Number of Joint Stock Companies			Stock Capital in millions of lats		
	1914	1924	1925	1914	1924	1925
Textile industry	10	6	11	35·8	4·2	7·2
Metallurgical	20	4	10	128·0	0·2	13·8
Wood-working	4	12	24	17·0	2·3	5·0
Paper & Allied industries	3	6	9	8·2	11·5	12·8
Animal products	3	4	12	9·6	1·3	5·1
Mineral products	—	7	9	—	3·3	3·4
Chemical industry	15	12	14	105·8	7·4	9·2
Foodstuffs & delicacies	9	19	29	16·2	4·7	7·8
Communications & Transport	12	13	17	35·4	13·0	18·8
Insurance Companies	—	9	10	—	3·4	3·5
Banks	2	13	21	29·2	10·1	18·9
Commercial enterprises	11	52	83	34·6	7·6	13·3
Sundries	—	13	19	—	1·3	2·5
Total	89	170	268	419·8	70·3	121·3

The number of companies increased by 98 last year, and by 179 compared with the year 1914. In one year the share capital increased by 51 million lats, whereby 35 companies increased their share capital by 12·7 millions, while the remainder of 38·3 million lats was raised by new companies. The latter include some Joint Stock Companies which were in operation before the war and resumed activities in 1924 after the suspension caused by the war and revolution. Thirteen Joint Stock Companies with an aggregate capital of 830,000 lats ceased or suspended work in 1924.

Even before the war there were on Latvian territory several companies, the principal shareholders of which were foreigners. Some of these are still operating, as for instance, the Tramway companies of Riga and Liepāja (Libau) and the Riga Paper Mills. Furthermore, foreign capital has participated largely in our share companies established in recent years. Since the latter half of 1922 when there was a revival in the founding of companies and organizing of new undertakings, there has been a continuous influx of foreign capital. These funds have come in from all parts of the world, beginning with America, which is the ruling factor in the money market of the world to-day, and ending with Turkey and Afghanistan, whose citizens possess shares in our tobacco and cigarette manufacturing companies.

Although in certain branches the bulk of the share capital is provided preferably by the citizens of certain countries, it cannot be said on the whole that the capitalists of any country preponderate.

The investment of foreign capital in our Joint Stock Companies is at present one of the most efficient means of helping us to develop our industries and utilize our productive forces. Capital, thus invested, is fully permanent, as it may not be so easily withdrawn as in the case of short-term loans. In this way, foreigners have a personal interest in the development of our industries and in the increase of our productivity as the postulate of increased turnovers and larger profits.

Classified as to the different economic branches, the participation of foreign capital in our Joint Stock Companies is as follows: (See next table.)

The above data reveal the preponderance of foreign capital in our Joint Stock banks, sawmills and wood-working factories, animal products industry, communications, chemical and textile enterprises. In the textile industry, for instance, over 80% of all the share capital is possessed by foreigners. Classified as to its origin, the foreign capital invested in the latter branch of local industry, is as follows: British 2·1 million lats, German 1·4, Dutch 0·8 million lats, while Latvian capital accounts for only 1·4 million lats. Foreigners have provided three-fourths of the 8·3 million lats invested in the chemical industry, the principal shareholders being Danish subjects who account for 4·7 million lats. Nearly the whole of this sum is confined to one enterprise which was in operation already before the war. The remainder is accounted for as follows: 0·5 million lats invested by former Russian subjects, 0·4 millions possessed by German citizens, 0·3 by Poles, and only 1·9 million lats invested by our own citizens.

Foreigners account for two-thirds of the aggregate capital invested in our Joint Stock Companies for exploiting the means of communication, their shares

Branches	Share capital		
	Total	Foreign	Percentage of total
Textile industry	7,140,000·—	5,751,500·—	80·6
Metallurgical	9,838,524·—	3,546,330·—	36·0
Wood-working	4,672,460·—	2,501,680·—	53·5
Paper & Allied Industries	12,764,000·—	6,074,205·—	47·6
Animal products	5,085,000·—	2,765,000·—	54·4
Mineral industry	3,335,100·—	654,005·—	19·6
Chemical industry	8,267,760·—	6,336,176·—	76·6
Foodstuffs & delicacies	7,181,313·—	1,606,768·—	22·4
Communications & Transport	18,790,998·—	12,572,900·—	66·9
Insurance companies	3,006,175·—	781,120·—	26·0
Banks	16,966,455·—	8,790,695·—	51·8
Commercial enterprises	12,615,667·—	3,809,210·—	30·2
Sundries	2,448,918·—	813,393·—	33·2
Thereof:			
Electrotechnical	78,338·—	—	—
Building enterprises	647,180·—	126,893·—	19·6
Total	112,112,370·—	56,002,982·—	50·0

representing a total value of 12·6 million lats. Most of these investments date back to pre-war times, when the principal shareholders were Belgian and French citizens. This section of foreign capital is invested mainly in the Riga and Liepāja Tramway Companies. Less extensive is the participation of foreign capital in our mineral industry, amounting to only 654,000 lats or 19·6% of the total sum of 3·3 millions invested in this branch.

Several Joint Stock Companies in which foreigners were largely interested before the war, have not resumed work since, and are now in the process of liquidation. For example, the former "Provodnik" Rubber Manufacturing Company, the restoration of which has been much discussed lately.

The majority of our Joint Stock Companies operate with rather small capital. For instance, in 107 cases the capital does not exceed 100,000 lats, which sum is quite insufficient for the successful development of a somewhat larger enterprise.

The following table is a classification of our Joint Stock Companies according to their number and stock capital:

		On January 1,	
		1924	1925
	Up to Ls 100,000·—	81	107
From Ls 100·—	„ „ „ 200,000·—	33	63
„ „ 200·—	„ „ „ 300,000·—	11	28
„ „ 300·—	„ „ „ 400,000·—	9	14
„ „ 400·—	„ „ „ 500,000·—	12	13
„ „ 500·—	„ „ „ 1,000,000·—	9	22
„ „ 1,000·—	„ „ „ 2,000,000·—	9	11
„ „ 2,000·—	„ „ „ 3,000,000·—	2	3
„ „ 3,000·—	„ „ „ 4,000,000·—	—	—
„ „ 4,000·—	„ „ „ 5,000,000·—	2	2
Over	„ 5,000,000·—	2	5
	Total	170	268

Other funds, as reserves, debentures and the like, almost do not figure at all in the balance sheets of our Joint Stock Companies, because the new companies have not yet been able to accumulate reserves, while the older concerns, having sustained heavy losses during the war, were subsequently obliged to write off nearly all their reserves, and whatever was left over, was reduced to insignificance by the unfavourable rate of exchange which ruled at the time of revaluation. There is no demand in our money market for bonds, so that such funds cannot be realized. Only in the case of our Tramway Companies it may be said that fairly large sums have been reserved for special purposes. Nonetheless, the capital of our Joint Stock Companies presents a total of 345 million lats, 40% of which has been provided locally, and the remainder (199·3 million lats or 60%) by foreigners. The proportion between local and foreign capital, in respect of Joint Stock Companies, was practically the same before the war. Compared with the aggregate capital of the preceding year, there is an increase of 145 million lats or 72·5%.

Foreign Trade.

In order to ensure the successful development of our foreign trade, especially of exports, the Government has always paid great attention to the conclusion of commercial treaties.

Besides the treaties formerly concluded with Great Britain, Czecho-Slovakia, Hungary, Holland, Estonia and Austria, commercial treaties with France, Denmark, Norway, Sweden, Finland and Switzerland were ratified and enforced last year. Furthermore, treaties were signed with Japan, Belgium and Italy, and negotiations initiated with the United States of America, Germany, Poland, Lithuania, the Soviet Union and Turkey.

No provision is made in our customs tariff for exceptional treatment in respect of goods imported from any country or group of countries. Consequently all the commercial treaties are based on the principle of the most favoured nation, allowing special facilities to Estonia, Finland, Lithuania and the Soviet Union.

There has been a steady increase of imports since the year 1923. Last year goods were imported for 280·6 million lats, and exported for only 179·6 million lats. The exorbitant increase of imports gave rise to the question of increasing the duties on imported foodstuffs which can be produced locally, as also on textiles and articles of luxury.

The following table is descriptive of our imports and exports in the different months of the past three years (in millions of lats):

	Import			Export			Balance of Trade active (+), passive (—)		
	1923	1924	1925	1923	1924	1925	1923	1924	1925
January	12·3	24·2	22·6	10·7	7·9	17·3	— 1·6	—16·3	— 5·3
February	10·6	16·9	23·0	9·6	7·7	15·3	— 1·0	— 9·2	— 7·7
March	14·2	17·2	21·9	7·0	5·9	12·3	— 7·2	—11·3	— 9·6
April	14·3	18·3	21·3	22·9	16·0	9·5	+ 8·6	— 2·3	—11·8
May	23·4	23·4	20·0	15·0	13·1	11·6	— 8·4	—10·3	— 8·4
June	16·8	16·0	18·9	14·9	9·7	16·2	— 1·9	— 6·3	— 2·7
July	19·3	27·2	23·7	14·3	14·1	15·1	— 5·0	—13·1	— 8·6
August	18·6	17·2	29·6	10·5	23·0	14·1	— 8·1	+ 5·8	—15·5
September	23·2	27·5	27·0	12·1	13·8	16·3	—11·1	—13·7	—10·7
October	20·0	28·2	28·5	17·4	16·2	16·8	— 2·6	—12·0	—11·7
November	20·2	17·5	23·8	12·7	21·2	15·9	— 7·5	+ 3·7	— 7·9
December	19·0	22·8	20·3	14·9	21·9	19·2	— 4·1	— 0·9	— 1·1
Total	211·9	256·4	280·6	162·0	170·5	179·6	—49·9	—85·9	—101·0

The development of our foreign trade with the different countries continues in the same direction as hitherto, and reveals a rapid increase in our transactions with Germany and the United States of America, but a decrease in our commercial relations with Great Britain and Belgium:

	Percentage of the total trade returns with:			
	Germany	U. S. A.	Great Britain	Belgium
in 1923	28·9	2·7	29·7	9·9
„ 1924	29·7	3·3	26·6	8·4
„ 1925	34·1	4·1	21·8	7·3

Germany tops our import list, accounting now for 22·6% of our imports as against 7,6% in 1922. Great Britain takes 34·6% of our entire export. Thereof, flax for 14·1 million lats, boards for 22·3 million lats, butter value 5·2 million lats, linseed value 3·5 million lats, meat for 3·3 million lats etc. Great Britain supplied 13·6% of our entire import. Belgium bought 16·5% of all our exports, principally flax for 22 million lats, boards for 2·6 million lats and linseed for 2 million lats.

The increase of imports of such goods as are produced locally or consumed immediately, is a negative feature. Textile products are the principal items of this category:

In 1923 textile goods were imported for 40,5 million lats
„ 1924 „ „ „ „ „ 46,7 „ „
„ 1925 „ „ „ „ „ 54,3 „ „

On the other hand, the value of imported machinery, so necessary for the restoration of our industries and agriculture, has not increased so much, but shows rather a tendency to decrease, as is proved by the following table:

In 1922 machinery was imported for 11·7 million lats
„ 1923 „ „ „ „ 34·6 „ „
„ 1924 „ „ „ „ 35·0 „ „
„ 1925 „ „ „ „ 29·8 „ „

The value of imported foodstuffs has increased considerably.

Our export list for the past year presents some remarkable changes. The timber exports, for example, declined in value from 61·7 million lats in 1923to 46·7 millions in 1924. The flax exports also declined in the course of a year from 48·4 million lats to 41·7 million lats. The most important increase of exports is found with agricultural produce, especially butter:

In 1923 the value of the butter exported was 9·3 million lats
„ 1924 „ „ „ „ „ „ „ 13·5 „ „
„ 1925 „ „ „ „ „ „ „ 30·3 „ „

Similarly, our meat exports have been trebled in the last two years. The export of linseed is developing successfully, having increased from 4·7 million lats in 1923 to 11·4 million lats in 1925. Great Britain, Germany and Belgium are the principal buyers of this commodity. It may be observed, on the whole, that the export of agricultural produce increases satisfactorily and rapidly, whereas a decrease is observed in the export of such goods as timber and flax, which figured prominently in our export list during the first years of independence.

As regards manufactured goods, the exports of linoleum and rubber goods show steady development. Linoleum is sent to the Balkan States, to Asia Minor, North Africa and other countries. The value of this export item rose in the course of a year from 1 million to 3·1 million lats. The large exports of rubber articles may be ascribed to the increasing productivity of the newly organized "Kontinents" and "Kvadrats" factories.

The following statistical data depict the trend of our foreign trade in recent years:

I. Export.

Groups of commodities	1923 Ls	1924 Ls	In 1924 exported more (+) or less (—) than in 1923	1925 Ls	In 1925 exported more (+) or less (—) than in 1924
A. Raw Materials and semi-manufactured goods.					
1. Textile Industry	42,420,944	48,442,522	+6,021,578	41,686,981	— 6,755,541
thereof: flax	39,817,430	44,130,725	+4,313,295	40,349,606	— 3,781,119
2. Metallurgical	11,436,445	3,447,810	—7,988,635	970,323	— 2,477,487
3. Wood working	61,685,491	59,153,925	—2,531,566	46,696,490	—12,457,435
4. Paper & allied industries	394,140	170,634	— 223,506	7,576	— 163,058
5. Mineral products	1,323,696	143,880	—1,179,816	278,348	+ 134,468
6. Vegetable products	5,235,354	10,201,253	+4,965,899	13,175,202	+ 2,973,949
thereof: linseed	4,735,498	9,727,648	+4,992,150	11,442,547	+ 1,714,899
cloverseed	448,837	397,274	— 51,563	1,502,801	+ 1,105,527
7. Animal products	8,477,677	9,228,316	+ 750,639	9,443,023	+ 214,707
thereof: skins & hides	2,280,594	3,054,371	+ 773,777	1,818,745	— 1,235,626
dressed skins	930,828	883,251	— 47,577	2,095,711	+ 1,212,460
furs	3,832,090	3,313,032	— 519,058	3,836,358	+ 523,326
8. Chemical & pharmaceutical products	36,730	26,051	— 10,679	11,278	— 14,773
9. Other raw mat. & semi-manuf. goods	143,612	253,881	+ 110,269	305,267	+ 51,386
Total	131,154,089	131,068,272	— 85,817	112,574,488	—18,493,784
B. Manufactured goods.					
1. Textile industry	511,565	736,627	+ 225,062	3,600,539	+ 2,863,912
2. Metallurgical	2,916,971	5,890,704	+2,973,733	3,941,129	— 1,949,575
3. Wood working	325,573	311,711	— 13,862	900,901	+ 589,190
4. Paper & allied industries	1,754,614	3,882,683	+2,128,069	6,723,107	+ 2,840,424
thereof: various paper	1,537,039	3,604,534	+2,067,495	5,647,552	+ 2,043,018
5. Mineral products	754,423	384,491	— 369,932	379,752	— 4,739
6. Vegetable products prepared	7,102	1,971	— 5,131	42,864	+ 40,893
7. Animal products prepared	177,059	249,248	+ 72,189	129,582	— 119,666
8. Chemical industry	5,583,138	6,702,686	+1,119,548	9,502,258	+ 2,799,572
thereof: matches	630,675	1,014,808	+ 384,133	1,168,467	+ 153,659
linoleum	1,005,067	2,329,287	+1,324,220	3,108,985	+ 779,698
rubber products	—	—	—	2,272,758	+ 2,272,758
9. Other products	235,098	287,131	+ 52,033	431,288	+ 144,157
Total	12,265,543	18,447,252	+6,181,709	25,651,420	+ 7,204,168
C. Food stuffs & delicacies	17,714,895	19,402,292	+1,687,397	40,180,658	+20,778,366
thereof: butter	9,271,064	13,495,470	+4,224,406	30,262,314	+16,766,844
meat of different kinds	1,377,898	1,178,524	— 199,374	3,549,946	+ 2,371,422
barley and oats	2,688,652	1,575,932	—1,112,720	1,273,434	— 302,498
Total	17,714,895	19,402,292	+1,687,397	40,180,658	+20,778,366
D. Live Stock	843,829	1,630,716	+ 786,887	510,066	— 1,120,650
thereof: horses	—	—	—	125,057	+ 125,057
cattle	—	—	—	347,189	+ 347,189
pigs	—	—	—	26,806	+ 26,806
sheep	—	—	—	6,074	+ 6,074
poultry	—	—	—	4,274	+ 4,274
Total	843,829	1,630,716	+ 786,887	510,066	— 1,120,650
E. Precious metals and prec. stones	—	—	—	662,265	+ 662,265
Total of exports	161,978,356	170,548,532	+8,570,176	179,578,897	+ 9,030,365

II. Import.

Groups of commodities	1923 Ls	1924 Ls	In 1924 imported more (+) or less (—) than in 1923	1925 Ls	In 1925 imported more (+) or less (—) than in 1924
A. Raw materials and semi-manufactured goods.					
1. Textile industry	8,842,486	11,243,406	+2,400,920	9,354,158	—1,889,248
thereof: raw cotton	898,637	2,074,065	+1,175,428	3,485,039	+1,410,974
wool	4,223,406	5,798,126	+1,574,720	3,613,382	—2,184,744
hemp	427,314	478,966	+ 51,652	1,065,744	+ 586,778
2. Metallurgical	10,943,606	8,009,032	—2,934,574	9,261,997	+1,252,965
3. Wood working	533,103	797,920	+ 264,817	1,364,450	+ 566,530
4. Paper & allied industries	572,759	500,369	— 72,390	1,210,437	+ 710,068
5. Minerals and oils derived therefrom	2,058,913	3,154,349	+1,095,436	3,401,379	+ 247,030
Including: cement	917,520	774,669	— 142,851	1,083,057	+ 308,388
naphtha	788,705	1,773,540	+ 984,835	1,483,860	— 289,680
6. Vegetable products	3,880,306	8,119,138	+4,238,832	10,352,736	+2,233,598
thereof: various seeds	2,990,588	6,795,213	+3,804,625	8,966,712	+2,171,499
7. Animal products	12,666,313	11,351,665	—1,314,648	17,059,940	+5,708,275
thereof: raw hides	4,194,742	2,376,317	—1,818,425	5,772,288	+3,395,971
dressed skins	4.276,416	3,487,631	— 788,785	3,401,395	— 86,236
8. Chemical & pharmaceutical products	1,288,675	2,107,441	+ 818,766	2,683,424	+ 575,983
thereof: manufactured rubber	114,891	893,979	+ 779,088	1,109,264	+ 215,285
9. Other raw material & semi-manufactured goods	11,342,064	15,682,665	+4,340,601	10,888,583	—4,794,082
thereof coal, coke & briquettes	9,396,639	13,942,452	+4,545,813	10,676,838	—3,265,614
Total	52,128,225	60,965,985	+8,837,760	65,577,104	+4,611,119
B. Manufactured goods.					
1. Textile industry	40,459,612	46,739,031	+6,279,419	54,302,216	+7,563,185
thereof: cotton tissue	21,205,211	24,808,169	+3,602,958	26,164,399	+1,356,230
woollen tissue and yarn	6,791,732	8,129,930	+1,338,198	12,161,469	+4,031,539
different kinds of thread	3,942,518	3,265,707	— 676,811	3,694,372	+ 428,665
2. Metallurgical	34,581,792	34,998,573	+ 416,781	29,806,792	—5,191,781
thereof: agricultural machinery	7,385,368	4,917,919	—2,467,449	5,951,251	+1,033,332
industrial & other plant	12,868,596	13,229,146	+ 360,550	13,272.770	+ 43,624
Tools and implements for workmen	1,330,795	1,197,388	— 133,407	1,473,397	+ 276,009
3. Wood working	304,934	436,403	+ 131,469	521,842	+ 85,439
4. Paper & allied industries	2,450,789	2,478,914	+ 28,125	2,907,908	+ 428,994
thereof: various paper	1,041,445	1,070,971	+ 29,526	1,003,186	— 67,785
5. Mineral products	2,289,930	2,425,608	+ 135,678	2,903,168	+ 477,560
6. Vegetable products prepared	36,837	74,644	+ 37,807	136,650	+ 62,006
7. Animal products prepared	499,698	440,753	— 58,945	464,002	+ 23,249
8. Chemical industry	16,189,925	19,978,628	+3,788,703	25,082,519	+5,103,891
thereof: kerosene	1,328,865	1,850,655	+ 521,790	2,094,893	+ 244,238
benzene	444,323	628,085	+ 183,762	767,857	+ 139,772
Various vegetable oils	993,562	1,247,698	+ 254,136	1,650,656	+ 402,958
Dyes, dye-stuffs	1,840,255	1,928,917	+ 88,662	1,982,726	+ 53,809
tanning materials	1,158,709	836,306	— 322,403	1,562,162	+ 725,856
rubber products	1,592,789	1,653,780	+ 60,991	1,815,906	+ 162,126
fertilizers: superphosphate	1,558,824	2,171,630	+ 612,806	4,050,526	+1,878,896
Thomas slag	1,133,146	1,205,130	+ 71,984	1,614,782	+ 409,652
Cainite	19,580	22,520	+ 2,940	219,985	+ 197,465
Kali salts	257,349	453,843	+ 196,494	1,338,244	+ 884,401

Groups of commodities	1923 Ls	1924 Ls	In 1924 imported more (+) or less (—) than in 1923	1925 Ls	In 1925 imported more (+) or less (—) than in 1924
Chili saltpetre	44,609	116,593	+ 71,984	190,351	+ 73,758
other fertilizers	88,648	7,981	— 80,667	27,157	+ 19,176
9. Other manufactured goods	9,424,827	11,944,910	+ 2,520,083	16,360,781	+ 4,415,871
thereof: fancy goods & small articles	1,567,843	1,905,150	+ 337,307	2,467,381	+ 562,231
stationery	440,456	482,327	+ 41,871	571,639	+ 89,312
electrical appliances	2,335,912	2,819,313	+ 483,401	4,276,846	+ 1,457,533
optical, physical & surgical instruments & appurtenances	1,460,133	1,399,953	— 60,180	1,629,495	+ 229,542
Rolling stock (Vehicles)	2,580,973	3,770,381	+ 1,189,408	4,706,493	+ 936,112
Total	106,238,344	119,517,464	+13,279,120	132,485,878	+12,968,414
Food stuffs & delicacies	48,868,143	69,891,656	+21,023,513	77,656,344	+ 7,764,688
C. thereof: corn	19,926,564	33,401,116	+13,474,552	41,107,666	+ 7,706,550
sugar	13,303,882	15,735,809	+ 2,431,927	15,074,169	— 661,640
salt	631,651	682,737	+ 51,086	709,288	+ 26,551
herrings	4,791,906	4,650,612	— 141,294	5,634,887	+ 984,275
cocoa	371,131	593.645	+ 222,514	876,349	+ 282,704
tea	470,879	606,663	+ 135,784	606,998	+ 335
coffee	273,326	345,931	+ 72,605	480,201	+ 134,270
lemons	128,627	177,148	+ 48,521	269,020	+ 91,872
tobacco & its products	3,359,018	4,180,431	+ 821,413	3,998,523	— 181,908
Total	48,868,143	69,891,656	+21,023,513	77,656,344	+ 7,764,688
D. Live stock	4,622,584	6,024,072	+ 1,401,488	3,922,648	— 2,101,424
thereof: horses	4,080,410	4,494,487	+ 414,077	3,002,673	— 1,491,814
cattle	259,448	980,276	+ 720,828	497,325	— 482,951
pigs	212,240	374,688	+ 162,448	221,126	— 153,562
sheep	—	—	—	134,145	+ 134,145
poultry	23,627	56,432	+ 32,805	65,100	+ 8,668
Total	4,622,584	6,024,072	+1,401,488	3,922,648	— 2,101,424
E. Precious metals & precious stones	—	—	—	911,024	+ 911,024
Total of imports	211,857,296	256,399,177	+44,541,881	280,552,998	+24,153,821

The transit traffic via Latvia decreased last year chiefly owing to a decline in the exports of Soviet Russia caused by stagnancy in the world's timber market, as also by the poor harvest returns in 1925, and the resultant diminution of Russia's corn exports.

The following table depicts the volume of our transit trade in recent years (in kilograms):

Countries	1923	1924	1925
From: Great Britain	26,396,956	30,373,307	25,377,034
Germany	30,772,185	25,644,686	43,244,658
Soviet Russia	170,045,740	308,020,471	194,348,608
Lithuania	53,647,111	43,589,860	33,940,379
Estonia	906,741	2,445,622	2,678,286
Poland	29,339,970	130,189,560	87,701,277
Finland	31,590	334,227	506,505
France	594,248	1,541,901	552,082
Belgium	1,527,253	895,867	4,228,776
Sweden	7,330,256	10,940,999	2,711,379
Denmark	1,158,511	2,267,245	3,794,740
Norway	130,330	143,649	433,134
Dantzig	3,464,607	3,406,913	4,652,308
Holland	1,725,575	2,734,787	4,826,176
United States of America	33,488,405	10,751,520	29,225,268
Other countries	186,760	1,452,188	2,618,872
Total	360,746,238	574,732,802	440,839,482

Countries	1923	1924	1925
To: Great Britain	118,275,253	228,026,786	142,998,587
Germany	40,290,849	45,717,886	50,890,332
Soviet Russia	71,579,751	31,015,194	21,898,559
Lithuania	36,338,388	44,498,507	69,565,635
Estonia	4,313,706	10,727,546	11,264,845
Poland	271,027	12,038,738	31,792,539
Finland	5,914,577	1,572,203	1,642,762
France	8,392,561	14,107,244	10,154,175
Belgium	18,491,216	53,586,811	33,465,857
Sweden	21,462,582	11,096,093	3,882,398
Denmark	16,653,780	41,199,602	9,667,887
Norway	8,613,219	3,548,794	883,529
Dantzig	1,241,631	2,913,496	1,766,529
Holland	7,145,252	73,104,732	48,708,066
United States of Ameriku	1,452,555	1,235,418	1,418,142
Other countries	309,891	343,752	839,645
Total	360,746,238	574,732,802	440,839,482

Raw materials and semi-manufactured goods figure prominently in our transit traffic, also foodstuffs and delicacies; but manufactured goods to a smaller extent comparatively.

This is shown by the following table:

Transit from 1923 to 1925 (in kilograms)

Groups of commodities	1923	1924	1925
A. Raw materials & semi-manufactured goods			
1. Textile industry	28,418,198	32,893,610	38,603,943
thereof: flax	19,510,433	23,088,223	19,398,975
2. Metallurgical	278,999	651,232	1,161,175
thereof: iron	—	302,609	385,797
3. Timber materials	116,834,373	286,348,407	220,376,113
4. Paper and allied industries	—	—	—
5. Mineral industry	100,318	250,200	100,000
6. Vegetable products	6,118,703	16,983,322	11,084,359
thereof: linseed	5,982,894	11,935,209	9,976,235
7. Animal products	5,946,968	8,486,224	8,862,758
8. Chemical industry	1,191,982	2,552,984	881,292
9. Other raw materials and semi-manufactured goods	9,065,077	4,549,228	2,657,163
thereof: coal	7,270,865	2,698,260	2,156,800
Total	167,954,618	352.715.207	283,726,803
B. Manufactured products			
1. Textile industry	1,512,349	675,665	1,001,473
2. Metallurgical	11,239,248	2,109,852	1,913,847
thereof: agricultural machinery	1,296,222	180,439	729,245
industrial and other plant	1,275,037	1,206,929	536,558
3. Wood working industry	207,440	121,286	76,924
4. Paper and allied industries	525,231	312,148	242,913
5. Mineral industry	423,072	264,037	375,399
6. Vegetable products prepared	340,906	105,347	378,965
7. Animal products	505,331	61,264	26,820
8. Chemical industry	17,101,560	19,285,189	24,839,005
thereof: fertilizers	4,082,874	5,449,788	9,351,653
kerosene	3,489,411	4,752,625	9,044,039
9. Other products	2,214,663	10,894,762	2,031,633
thereof: various rolling stock	644,093	10,191,241	1,080,848
Total	34,069,800	33,829,550	30,886,979
C. Food stuffs & delicacies	158,719,634	187,817,651	126,225,700
thereof: corn & flour	92,769,200	69,214.324	55,419,731
butter	2,584,244	4,495,789	1,928,000
meat products	3,906,751	3,219,221	8,327,919
herrings	10,940,105	22,392,966	19,073,185
sugar	9,149,016	9,818,110	11,280,541
salt	2,619,586	7,732,339	11,111,346
eggs	7,564,367	16,787,830	11,183,816
oil-cake	7,228,803	27,568,356	3,789,273
other foodstuffs	21,957,562	26,588,716	4,111,889
Total	158,719,634	187,817,651	126,225,700
D. Live stock	2,186 + 31 pieces	342,077 +943 pieces	38,475 pieces
Total of transit	360,746,238 + 31 pieces	574,704,485 +943 pieces	440,839,482 +38,475 piec.

Industry.

Small industry is the dominant feature of this branch of our economic life. Compared with the situation as it was in 1910, there was in 1924 an increase in the number of our industrial enterprises by 3·3 times, and a decrease in the number of hands by 1·9 times. In 1910 the average number of hands per enterprise was 119, in 1920 — 14·8, in 1921 — 16·7, in 1922 — 16·7, in 1923 — 20, and in 1924 — 18·5 hands. This proves that there is no tendency towards the development of big industrial undertakings. The more important industrial enterprises are located in Riga, in Liepāja, Jelgava, and in the environs of Riga and Daugavpils. They are mostly wood and metal working establishments, while the smaller ones are, for the most part, engaged in the production of foodstuffs and delicacies.

In submitting the following comparative data for the years 1910, 1923, 1924 and 1925, we would point to the distribution of Labour in 1924, viz., 58·8% of the entire number of hands were employed in Riga, 9·8% in Liepāja, 6·4% in the environs of Riga, 5·5% in Jelgava, 4·1% in Daugavpils, 2·4% in Ventspils, and 2·2% in Valmiera.

Branches of industry	Number of enterprises				Number of hands			
	1910	1923	1924	1925	1910	1923	1924	1925
Textile industry	52	295	361	426	12,143	5,763	6,581	7,881
Paper & allied industries	79	114	139	160	5,208	4,304	5,100	5,200
Woodworking	99	201	274	343	11,304	8,975	9,550	9,950
Metallurgical	115	215	278	346	25,385	7,723	9,120	9,520
Mineral industry	150	59	102	127	12,029	2,412	3,455	3,605
Animal products	46	91	97	144	3,405	1,859	2,051	2,351
Foodstuffs & delicacies	175	901	1,161	1,381	8,063	6,281	8,373	9,173
Chemical industry	39	69	88	153	12,659	1,930	2,447	3,747
Sundries	27	87	98	120	3,147	1,367	1,457	1,607
Total	782	2,032	2,598	3,200	93,343	40,614	48,134	53,034

The number of hands employed in our industries in 1924*) was more than half the pre-war number, while from 1920 to 1925 the number was doubled. A comparison of numbers in the years 1923 and 1924 reveals an increase of 18·5% in the latter year.

In regard to the number of hands employed, the pre-war level has been recovered in the woodworking branch, paper and allied industries, and in the factories preparing foodstuffs and delicacies.

The following table shows to what extent mechanical motive power has been utilized by our industrial undertakings:

*) Most of the data given are based on statistics for the year 1924, as those of 1925 were not yet available.

Branches of industry	Enterprises without mech. motive power			Enterprises with mech. motive power			Average HP. per enterprise		
	1923	1924	1925	1923	1924	1925	1923	1924	1925
Textile industry	53	80	94	242	281	332	17·4	27·4	27·9
Paper & Allied industries	21	21	24	93	118	136	75·6	81·8	82·5
Woodworking	13	18	24	188	256	319	50·3	47·8	48·7
Metallurgical	26	26	31	189	252	315	80·8	67·3	68·3
Mineral	23	49	61	36	53	66	30·7	35·5	37·0
Animal products	33	44	65	58	53	79	22·3	40·1	41·4
Foodstuffs & delicacies	46	80	96	855	1081	1285	24·8	25·0	25·6
Chemical	19	26	65	50	62	88	35·3	35·1	37·4
Sundries	22	38	46	65	60	74	326·9	319·1	324·5
Total	256	382	506	1776	2216	2694	46·5	44·7	37·7

Thus, the number of enterprises utilizing mechanical motive power is 5·8 times more than the number of those which do not. The aggregate horsepower utilized in 1924 was 75,143 HP, of which 55,817 HP was supplied by steam, and 16,867 by water power.

The following is a summary of the different branches of our industry:

Textile Industry. In 1924 there were 361 establishments employing 6581 hands. 139 of these were located in Riga with 4292 hands; 15 in Jelgava with 975 hands. As to the value of their output, the wool mills topped the list with 9 million lats, followed by the flax mills with 4·5 million lats, and the cotton mills with 4·1 million lats. The imports of wool and cotton for the needs of our industry in 1924 amounted to 7·9 million lats, while flax, which could well be spun locally, was exported for a sum of 44·2 million lats.

The increase of our yarn and cloth imports from 46·7 million lats in 1924 to 54·3 millions in 1925 is a proof of the necessity to develop our textile industry. The aggregate value of the whole of our textile output in 1924 was 28·2 million lats. The following table is illustrative of the progress made in the different branches of this industry:

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Cotton spinning and weaving mills	1	3	178	577
Wool carding, spinning and weaving mills	146	159	1,987	2,361
Flax spinning and weaving mills	9	7	906	975
Cotton and flax weaving mills	2	4	193	275
Wool and flax weaving, spinning and carding mills	3	2	210	156
Flax preparing mills	3	10	56	139
Rope and twine works	10	11	213	203
Knitting works	11	24	164	410
Dye-works and laundries	62	77	602	654
Sundries	48	64	1,254	831
Total	295	361	5,763	6,581

Compared with the year 1923, there was an increase of 10·7% in the number of hands in 1924, while the imports of cotton for the needs of our mills increased from 2·1 million lats in 1924 to 3·5 millions in 1925, and the imports of wool decreased from 5·8 million lats to 3·6 millions during the same period. The latter is a welcome feature, in as much as it evidences a more intensive employment of local raw materials.

The Paper and Allied Industries are concentrated mainly in and around Riga. Of the 139 enterprises of this kind employing altogether 5100 hands, 96 enterprises with 2641 hands are located in Riga, and 4 concerns with 1385 hands are to be found in the environs of the capital. The output of this branch of industry presented a value of 21·4 million lats, of which the Paper Mills accounted for 10·1 millions, and the printing establishments for 8·1 million lats.

Below is given a classification of the different branches, whereby we would mention that the output of this industry is not only for home consumption, but also for export. Our paper exports returned a sum of 3·6 million lats in 1924, and no less than 5·6 million lats in 1925.

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Printing and lithographic establishments	70	84	1,870	2,335
Bookbinding establishments	9	14	156	234
Paper mills	4	5	1,437	1,753
Cardboard and wood pulp factories	7	6	334	202
Pasteboard factories	10	12	368	392
Paper bag factories	3	4	19	44
Tissue cartridges for cigarettes	9	10	64	68
Sundries	2	4	56	72
Total	114	139	4,304	5,100

The number of enterprises in our paper industry is not increasing.

Wood working. There are 274 wood working factories in Latvia, employing 9,550 hands. Of these, 169 enterprises with 6,086 hands are located in Riga, 9 enterprises with 952 hands in Ventspils, and 28 enterprises with 779 hands in Liepāja. Saw mills rank foremost, with an output of different materials value 25·6 million lats. Wood working factories figure second with an output value 4·4 million lats, while our veneer and plywood factories turn out goods for the sum of 1·7 million lats. The aggregate value of the entire output of this industry is 34·5 million lats. The following is a classification as to the number of enterprises in operation and hands employed in recent years:

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Saw mills	82	95	6,723	6,428
Wood working factories and workshops	65	114	695	1,402
Cork cutting factories	4	6	86	79
Wooden cases, tubs and barrels	5	10	110	153
Wooden toys	2	4	12	67
Wooden spigots	3	2	33	38
Wooden lasts	4	5	59	73
Splints for matches	6	4	351	266
Plywood and veneer factories	4	5	436	567
Sundries	26	29	470	477
Total	201	274	8,975	9,550

The number of hands employed in our wood working industry, in 1924, increased by 6·4% only, compared with the increase in other branches of industry (18·5%); and the enterprises also diminished in size.

Metal Industry. Two hundred and seventy-eight enterprises with 9120 hands were registered in the year 1924. The entire output was valued at 30·4 million lats.

The following table is illustrative of the nature and number of enterprises, and the number of hands employed:

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Iron foundries and rolling works	1	1	959	786
Engineering works and transmission factories	13	9	1,030	525
Factories for the repair of agricult. machin. & implements	98	122	1,178	1,523
Nail factories	4	6	123	129
Locomotive building and iron foundries	19	19	525	1,060
Shipbuilding & repairing works	6	9	308	272
Railway and wagon repair shops	7	8	2,735	3,520
Making of weights	5	4	77	79
Tinsmith's workshops	11	11	78	140
Key factories	2	2	205	284
Needles factories	1	2	46	90
Sundries	48	85	459	712
Total	215	278	7,723	9,120

Mineral Industry. Of this branch of industry 102 enterprises employing 3455 hands were registered in 1924. The glass industry accounted for half the value of the entire output. Our glass factories also worked for export. The majority of the glass factories, a large porcelain and earthenware factory and two cement factories are located in Riga. The entire output represented a value of 6·7 million lats. Below is given a classification of the enterprises and the number of hands employed:

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Brick kilns	18	39	189	622
Lime kilns	11	17	93	161
Cement factories	2	2	138	225
Tile factories and potteries	7	8	130	173
Glass factories	9	10	1,406	1,655
Porcelain and earthenware factories	2	2	24	25
Gypsum mills	1	1	350	375
Sundries	9	23	82	219
Total	59	102	2,412	3,455

The gradual development of our mineral industry is due to the resumption of building operations.

Animal products. Ninety-seven enterprises with 2051 hands engaged in the treatment of animal products were registered in the year 1924. Goods were produced for a total sum of 16·2 million lats. Thereof, 10·5 million lats were returned by the tanneries, and over 4·4 millions by the footwear factories. The following table is illustrative of the development of this line of industry:

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Tanneries	45	46	793	828
Footwear factories	30	31	844	871
Leather belting factories	2	1	11	4
Saddleries	3	4	36	44
Bone mills	4	4	84	169
Sundries	7	11	91	135
Total	91	97	1,859	2,051

Foodstuffs and Delicacies. Of the 1161 enterprises with a total of 8373 hands engaged in this branch of industry in 1924, many worked on a small scale. Most of these undertakings are located in Riga where, in addition to the foodstuffs factories, the spirit distilleries and tobacco factories are also concentrated. Particularly brisk has been the development of the dairy industry. Our butter exports returned a sum of 14 million lats in 1924, and no less than 30·25 million lats in 1925. Good prospects are also held forth for our newly established sugar industry, considering the favourable results achieved in the cultivation of beetroot in 1925. The following table is self-explanatory:

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Corn mills	634	741	1,846	2,476
Bakeries & confectioners	24	40	213	417
Macaroni factories	2	3	18	27
Dairies	29	107	111	424
Tinned goods factories	9	14	229	564
Sausage makers	31	40	230	289
Starch, potato-flour and treacle factories	11	16	117	150
Sweetmeat factories	27	31	826	791
Coffee roasting establishments	13	16	41	57
Distilleries	38	46	420	479
State spirit refineries	1	1	256	224
Liqueur factories	11	11	97	98
Breweries	20	31	597	781
Mineral water and wine establishments	17	24	98	182
Tobacco & cigarette factories	13	13	917	1.037
Salt mills	4	3	29	28
Malt works	1	2	23	44
Sundries	16	22	213	305
Total	901	1,161	6,281	8,373

The total value of foodstuffs and articles of consumption produced in the year was 100·3 million lats, the greater part of which (65·5 million lats) was accounted for by the spirit distilleries and tobacco factories.

Chemical Industry. In this branch of industry 89 enterprises employing 2447 hands were registered. Of these, 68 enterprises with 1259 hands were in Riga, 4 enterprises employing 599 hands in the district of Liepāja (Libau), and two employing 409 hands in the district of Kuldīga (Goldingen). The value of the entire output amounted to 17·5 million lats. The oil mills topped the list in regard to the value of the goods produced in 1924. Linseed oil was utilized partly for the production of linoleum, the export of which returned the sum of 2·4 million lats in 1924.

The rubber industry was augmented in 1925 by the establishment of the "Kvadrats" factory, employing more than 800 hands. This branch of industry also works for export trade. The same applies to our match industry. The extensive imports of fertilizers, which involved 3·9 million lats in 1924, and 7·4 million lats in 1925, lent a stimulus to the restoration of the former Riga superphosphate factory.

The following table depicts the progress made in the several sections of this particular industrial branch:

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Soap factories	12	13	139	157
Varnish works	3	3	35	38
Factories producing dyes and colours	8	9	60	91
Vegetable oil mills	11	15	193	222
Turpentine and tar factories	3	5	22	55
Naphtha refineries	1	1	98	136
Linoleum factories	1	1	128	195
Rubber factories	2	2	117	229
Match factories	4	4	858	880
Gas works	3	3	84	93
Candle factories	4	5	31	52
Sundries	17	27	165	299
Total	69	88	1,930	2,447

The number of hands has increased in all departments of the chemical industry, and altogether by 26·8%.

Miscellaneous Enterprises. As per the classification given below, 98 industrial enterprises of different kinds employing 1457 hands were registered in the year 1924. Their entire output was valued at 10·7 million lats.

Branches	Numb. of enterprises		Number of hands	
	1923	1924	1923	1924
Electric power stations	45	43	493	530
Water works	3	3	57	85
Peat-cutting	5	3	287	91
Amber industry	4	4	27	33
Sundries	30	45	503	718
Total	87	98	1,367	1,457

The number of hands in the electric stations has increased but slightly, and in the water works by $1^1/_2$ times.

The total value of the products of Latvian industries in the year 1922 was 135·7 million lats, as against 244·6 million lats in the following year, and 266·3 million lats in 1924. These figures manifest the steady improvement of our industrial conditions.

The number of licences granted to industrial enterprises increases every year. Thus, 267 licences were issued in 1922 for the opening of new industrial enterprises, 467 in 1923, 588 in 1924 and 602 licences in 1925.

The newly licensed enterprises of the year 1925 were classified thus: Textile industry 65, paper and polygraphic industry 21, wood working 69, metallurgical 68, mineral industry 25, preparation of animal products 47, foodstuffs and delicacies 220, chemical industry 65, and various other enterprises 22.

Consequently, on January 1, 1926, there were in Latvia 3200 industrial enterprises, employing over 50,000 hands altogether.

Farming.

Stock farming and agriculture are the principal sources of income of our farmers. The percentage of income derived from rural sources in recent years is as follows:

	1923/24 econ. year	1924/25 econ. year
Cattle breeding	47,24	47,42
Agriculture	34,23	31,22
Special branches of husbandry	6,23	6,20
Sundries	12,30	15,16
Total . .	100,00%	100,00%

The profit-returns of the special branches of husbandry for the last two years were as follows: Apiculture 10·28% in 1924 and 10·83% in 1925, poultry farming 24·98% and 18·40%, orchards 43·03% and 33·47%, and miscellaneous income 21·71% and 16·67%.

The percentage of expenditure has been ascertained as follows: For the acquisition of agricultural inventory in 1923—24 10·13%, and in 1924—25 — 9·01%; livestock 8·34% and 5·60%; wages to farm labourers 34·75% and 32·64%; repairs to buildings and equipment 7·16% and 6·06%, new structures 8·15% and 5·16%, payment of debts and interest 3·53% and 4·72%, taxation 6·33% and 5·96%, fertilizers 5·71% and 5·95%, and various other disbursements 15·90% and 24·90%.

Our farmers are greatly handicapped by the taxes and the high cost of Labour which is out of all proportion to the income returned. The taxes are various, and their percentage for 1924—25 was as follows: Income tax 17·29%, real estate tax 13·17%, communal and district rates 49·18%, and other rates 20·36%. Except in Latgale, there is everywhere else a poignant lack of farm hands. The result is that wages increase from year to year, thus aggravating the economic position of our farmers, who are sometimes compelled to diminish the cultivated area to the detriment of our economic position in general. According to the agricultural census for 1923, there were in Latvia 88,886 farm labourers hired by the year, (47·61% of the total number of farm labourers), 67,183 or 35·99% season labourers, and 30,600 or 16·40% hired by the month or by the day. These labourers were distributed among 192,174 farms, averaging one labourer to each farm, which is very low indeed. The increase of wages during the past five years is illustrated by the following table:

	1921	1922	1923	1924	1925
Farm labourers' wages per annum: males . .	236	359	385	488	537
" " " " " females .	146	216	233	295	334
Farm labourers' wages per season: males . .	182	243	290	343	376
" " " " " females .	119	160	195	214	241
" " " " " shepherds	97	132	147	172	200

The wages for work by the day vary according to the different periods as depicted below:

	1922		1923		1924		1925	
	Males	Females	Males	Females	Males	Females	Males	Females
In the clover and hay harvest season	2·56	1·74	3·06	2·00	3·42	2·28	3·60	2·50
Harvesting of rye	2·64	1·86	3·24	2·28	3·48	2·50	3·80	2·72
Harvesting of summer wheat	2·30	1·62	2·86	2·02	3·00	2·12	3·54	2·56
Harvesting of flax	—	—	—	—	3·16	2·32	4·06	3·26
Corn threshing period	2·32	1·64	2·84	2·04	2·94	2·10	3·26	2·38
Harvesting of potatoes and other vegetables	1·98	1·42	2·60	2·00	2·52	1·86	2·98	2·30

The aggregate amount of wages paid in Latvia to farm labourers per annum and per season is enormous, as the following table shows:

	to males	to females
1923.	Ls 23,834,200	Ls 18,038,700
1924.	„ 29,970,100	„ 22,415,000
1925.	„ 32,588,000	„ 24,999,200

Estimating the number of farms in Latvia at say 200,000, the annual average expenditure per farm (excluding wages to labourers hired by the month or by the day) works out at 210 lats for the year 1923, 262 lats in 1924 and 288 lats in 1925. Obviously such heavy expenditure handicaps the farmers, especially considering the poor yield of the last two years. The prices of agricultural produce do not keep pace with the steady increase of farm labourers' wages; they either rise insignificantly in respect of some products, or decline markedly in respect of others. The following table is illuminating as to the average retail prices of cereals, in lats per quintal:

Market places in Latvia	Rye					Wheat					Barley					Oats				
	1921	1922	1923	1924	1925	1921	1922	1923	1924	1925	1921	1922	1923	1924	1925	1921	1922	1923	1924	1925
Rīga	39	26	22	26	32	57	48	33	36	42	32	21	18	21	30	27	18	18	21	27
Cēsis	33	25	24	25	31	48	46	38	38	43	26	16	17	19	26	21	15	19	20	24
Madona	25	24	24	24	36	34	29	31	35	44	19	15	17	20	29	14	13	16	19	25
Ainaži	34	27	24	28	34	36	35	32	32	45	28	18	17	23	29	22	14	17	21	28
Valka	29	25	22	22	34	43	42	28	25	40	26	16	16	22	27	22	14	19	20	26
Liepāja	35	25	21	23	28	53	40	32	29	39	31	19	19	22	28	27	19	19	20	25
Kuldīga	27	20	21	23	26	36	33	34	36	36	25	16	19	21	19	17	15	17	18	15
Ventspils	34	24	23	25	31	46	37	36	35	38	29	22	19	23	28	25	20	22	21	26
Tukums	38	27	23	24	30	55	41	34	28	36	32	23	18	22	26	24	16	18	20	23
Jelgava	37	26	21	23	29	46	35	32	30	38	27	17	18	21	28	23	16	18	20	25
Jaunjelgava	33	26	25	28	34	49	41	40	40	39	27	17	21	25	26	23	15	20	23	25
Daugavpils	29	24	22	24	28	35	32	29	28	33	21	16	17	22	26	18	15	16	20	24
Rēzekne	29	26	23	25	30	36	28	29	27	33	22	18	19	20	24	19	17	18	21	24
Ludza	29	24	23	25	30	35	—	26	27	34	23	15	19	22	25	21	15	19	21	24

Also in respect of butter, meat and eggs, the average retail prices during the period 1921—1925 show no great fluctuations, as the following table reveals (eggs per piece, otherwise in lats per kilogram):

	1921	1922	1923	1924	1925
Butter	2·46	2·57	2·98	3·20	3·37
Pork	1·10	1·22	1·41	1·53	1·67
Beef	0·61	0·65	0·82	1·00	1·14
Eggs	0·11	0·12	0·11	0·13	0·12

Large quantities of butter, beef and eggs are exported. This branch of our export trade is increasing rapidly, and accounted for 18·92% of the total value of our exports in the year 1925.

The following tables are illuminating as to the cultivated acreage, yields, and the number of live stock in Latvia in the last three years.

We would add that the agrarian reform is being successfully enforced, and the State Land Fund will shortly be entirely distributed. Of the whole Fund covering 1,735,461 hectares, 1,385,288 hectares have been portioned out so far.

The appropriation of the allotments proceeds steadily, as is shown by the following data:

Years	New farms	Rented farms	Tracts of land for industrial & other purposes	Total
1921	4,255	966	—	5,221
1922	18,917	6,573	1,443	26,933
1923	24,842	1,130	3,069	29,041
1924	9,221	252	3,695	13,168
1925	17,557	206	6,592	24,355
Total	74,792	9,127	14,799	98,718

In conformity with the agrarian reform law, the new farms are from 10 to 22 hectares in area. 43,618 units of apportioned land were assessed and corroborated up to January 1,1926, and of that number 31,296 during the past year. 13,460 deeds of purchase were notarially attested and transmitted to the Registry Office for corroboration. It is therefore evident that of all the apportioned 98,718 units of land, 44% have been assessed and 14% corroborated. It is intended to accelerate this work in the future so as to complete the execution of the agrarian reform in the next two or three years.

Cultivated Area (in thousands of hectares).

Sown with	Vidzeme (Livonia)			Kurzeme (Courland)			Zemgale (Zemgallia)			Latgale (Latgallia)			Latvia		
	1923.	1924.	1925.	1923.	1924.	1925.	1923.	1924.	1925.	1923.	1924.	1925.	1923.	1924.	1925.
Rye	69·4	67·6	71·6	48·6	48·3	45·2	59·0	61·0	61·4	89·5	89·2	88·3	266·5	266·1	266·5
Wheat	14·4	13·0	13·4	10·0	9·7	9·7	15·3	17·1	20·6	3·1	3·2	4·4	42·8	43·0	48·1
Barley	52·6	51·5	52·6	28·6	29·2	26·0	42·2	42·0	42·6	54·9	56·4	55·4	178·3	179·1	176·6
Oats	110·3	109·6	112·2	70·4	80·4	73·4	73·9	86·2	88·1	54·7	58·1	55·9	309·3	334·3	329·6
Vetches	20·2	20·1	17·3	12·1	12·5	8·1	33·8	35·7	23·3	8·4	8·7	8·2	74·5	77·0	56·9
Potatoes	25·7	23·4	25·7	17·0	15·4	14·8	13·4	12·9	13·6	23·4	23·2	25·0	79·5	74·9	79·1
Flax	20·3	20·6	29·1	3·0	2·6	2·7	6·6	7·4	10·5	26·6	29·9	35·8	56·5	60·5	78·1
Total	312·9	305·8	321·9	189·7	198·1	179·9	244·2	262·3	260·1	260·6	268·7	273·0	1007·4	1034·9	1034·9

Yields (in thousands of quintals).

Sown	Vidzeme (Livonia)			Kurzeme (Courland) and Zemgale (Zemgallia)			Latgale (Latgallia)			All over Latvia		
	1923	1924	1925	1923	1924	1925	1923	1924	1925	1923	1924	1925
Rye	747·8	564·0	880·2	1223·6	835·1	1462·4	764·2	594·6	808·3	2735·6	1993·7	3150·9
Wheat . . .	134·8	123·8	138·7	287·0	283·7	409·2	24·7	23·0	41·3	446·5	430·5	589·2
Barley . . .	370·5	463·2	545·0	608·2	714·8	774·3	332·3	441·2	459·2	1311·0	1619·2	1778·5
Oats	801·2	837·5	1028·3	1249·8	1440·9	1568·1	331·2	431·5	442·1	2382·2	2709·9	3038·5
Vetches . .	155·3	177·5	181·2	454·3	510·9	381·1	50·1	67·9	72·7	659·7	756·3	635·0
Peas	28·7	45·2	55·0	112·2	166·2	189·1	65·8	141·2	150·5	206·7	352·6	394·6
Potatoes . .	2308·8	2471·0	2471·0	2354·7	2823·7	3268·3	1120·6	1462·3	1765·3	5784·1	6757·0	7504·6
Linseed . .	55·4	85·0	101·1	38·3	46·7	65·4	69·4	117·3	112·6	163·1	249·0	279·1
Flax	70·1	85·8	112·8	35·7	43·2	56·1	86·4	132·8	131·3	192·2	261·8	300·2
Total . .	4672·6	4853·0	5513·3	6363·8	6865·2	8174·0	2844·7	3411·8	3983·3	13,881·1	15,130·0	17,670·6

Total Harvest of Hay and Clover (in thousands of quintals).

Fodder-stuffs	Vidzeme (Livonia)			Kurzeme (Courland)			Zemgale (Zemgallia)			Latgale (Latgallia)			Latvia		
	1923	1924	1925	1923	1924	1925	1923	1924	1925	1923	1924	1925	1923	1924	1925
Hay . . .	4787·7	6240·4	6663·3	2994·7	3720·2	3803·6	2455·2	3007·9	3146·1	2701·2	3070·1	3050·5	12,938·8	16,038·6	16,663·5
Clover & Grass . .	2779·4	2990·4	3452·9	1962·6	1914·7	2078·4	2554·4	2491·3	2815·4	641·5	692·2	743·0	7937·9	8088·6	9089·7
Total . .	7567·1	9230·8	10,116·2	4957·3	5634·9	5882·0	5009·6	5499·2	5961·5	3342·7	3762·3	3793·5	20,876·7	24,127·2	25,753·2

Hay and Clover harvested per Hectare (in quintals).

Fodder-stuffs	Vidzeme (Livonia)			Kurzeme (Courland)			Zemgale (Zemgallia)			Latgale (Latgallia)			Latvia		
	1923	1924	1925	1923	1924	1925	1923	1924	1925	1923	1924	1925	1923	1924	1925
Hay . . .	18·44	20·44	21·82	18·43	19·47	19·90	19·56	21·23	22·20	19·70	19·37	19·24	18·84	20·27	21·26
Clover & Grass .	29·00	31·20	35·72	28·55	27·85	30·22	29·84	29·11	32·93	25·16	27·15	28·55	28·77	29·55	33·12

Live Stock (head, in thousands).

Animals	Vidzeme (Livonia)			Kurzeme (Courland)			Zemgale (Zemgallia)			Latgale (Latgallia)			Latvia		
	1923.	1924.	1925.	1923.	1924.	1925.	1923.	1924.	1925.	1923.	1924.	1925.	1923.	1924.	1925.
Horses . .	101·6	101·0	105·6	65·6	65·0	65·5	75·5	76·2	82·0	98·5	98·0	98·8	341·2	340·2	351·9
Cattle . .	349·5	342·0	348·8	151·4	158·0	148·8	185·7	189·0	198·4	224·3	216·0	219·8	910·9	905·0	915·8
Sheep . .	479·0	375·0	349·5	316·6	261·1	264·2	312·9	272·2	304·3	379·7	326·7	263·6	1488·2	1235·0	1181·6
Pigs . . .	161·6	151·3	169·5	96·1	94·0	96·8	107·3	101·4	112·7	122·3	111·3	118·1	487·3	458·0	497·1

In regard to farming it may be said that, on the whole, despite unfavourable climatic conditions in recent years, and the shortage of Labour hands, there has been slow but steady progress.

More and more, foreign markets are appreciating the quality of our agricultural produce, as is evidenced by the increasing demand for the same.

Navigation.

The chief Latvian ports Riga, Liepāja (Libau) and Ventspils (Windau) are well known, and the shipping traffic at these ports is rather brisk. They can accomodate a large number of ships, Liepāja and Ventspils being very deep and easy of access. It should also be observed that the two latter ports are ice-free throughout the winter, which fact contributes largely to their ever-increasing traffic. Navigation in the port of Riga is also fully ensured during the winter season by the acquisition of the new icebreaker "Krishjan Valdemar", which is a modern type of vessel and one of the largest in the service of Northern ports. Furthermore, in all our ports there are powerful elevators, adapted to modern requirements, besides a highly modern cold storage in Riga. It is intended in the near future to erect a dry dock. The traffic in our ports has not yet regained the pre-war level, but is increasing year by year, as the following table shows.

Years	Incoming vessels		Outgoing vessels	
	Number	net tons	Number	net tons
1902	3,646	1,685,508	3,642	1,677,772
1903	3,696	1,814,101	3,681	1,803,001
1904	3,670	1,953,556	3,629	1,935,774
1905	3,695	1,970,986	3,709	1,914,496
1906	3,808	2,127,732	3,816	2,143,166
1907	3,638	2,225,603	3,612	2,199,469
1908	3,627	2,232,884	3,638	2,234,015
1909	5,517	3,256,059	5,490	3,244,627
1910	5,740	3,550,481	5,717	3,540,701
1911	5,691	3,683,859	5,684	3,639,301
1912	4,379	2,902,805	4,372	2,897,199
1913	5,289	3,591,195	5,251	3,563,346
1914	2,354	1,610,133	2,416	1,662,316
1918	275	123,050	236	93,110
1919	793	342,763	734	336,661
1920	1,679	479,801	1,597	455,994
1921	2,104	784,850	2,038	744,257
1922	2,878	1,293,515	2,863	1,283,244
1923	3,577	1,442,131	3,571	1,431,500
1924	3,937	1,494,752	3,900	1,488,523
1925	4,117	1,443,682	4,106	1,455,417

Taking the net tonnage of the year 1913 as the basic percentage, the following results are obtained from 1919 onwards:

1913	100·0	1922	36·0
1919	9·5	1923	41·5
1920	13·4	1924	41·6
1921	21·9	1925	40·2

Of all the arrivals in 1925 the percentage as to the different ports was as follows: Riga 58%, Liepāja 24%, Ventspils 15%, and Ainaži 3%.

The net tonnage of incoming and outgoing vessels in 1925 totalled 2,899,099 net tons, which rendered harbour dues to the total extent of Ls 2,481,711·74, as against Ls 1,966,337·20 in the year 1924.

Classifying the shipping traffic as to nationality and countries (apart from Latvian vessels) we find that of the foreign vessels calling at our ports, German, Swedish, Danish, British and Estonian vessels rank foremost, as the following table shows:

	Shipping traffic as to nationality						Shipping traffic in regard to different countries					
	Incoming vessels			Outgoing vessels			Arrived from			Sailed to		
	1923	1924	1925	1923	1924	1925	1923	1924	1925	1923	1924	1925
Latvia	1.707	1.924	2.079	1.704	1.910	2.060	1.727	1.894	2.013	1.703	1.898	1.977
Great Britain	220	255	231	217	260	231	255	303	190	510	503	396
Austria	—	1	1	—	1	1	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	—	2	1	—	—	—
Canada	—	—	—	—	—	—	—	2	—	—	—	—
Belgium	—	2	—	—	1	—	11	37	48	75	120	83
Denmark	353	305	251	359	302	253	230	255	203	201	155	113
France	25	25	23	25	25	24	11	6	4	52	18	12
Holland	15	20	24	14	19	25	23	45	89	57	87	82
Estonia	73	242	246	70	239	236	207	315	326	135	300	351
Russia	22	12	8	25	12	8	28	15	23	20	20	25
Norway	118	82	75	118	79	76	10	10	13	22	13	19
Poland	19	10	6	18	10	6	—	—	—	—	—	—
Finland	17	20	41	18	18	50	39	61	90	96	125	200
Sweden	238	179	252	227	175	259	200	206	211	169	116	157
Germany	724	821	833	731	813	833	558	508	531	295	283	403
Dantzig	27	28	26	27	25	23	198	131	228	124	153	194
Lithuania*)	6	4	7	5	3	5	71	146	143	99	109	92
U.S. of America	12	7	12	12	8	12	9	1	2	10	—	—
Other countries	—	—	2	—	—	4	—	—	2	—	—	2
Total	3,576	3,937	4,117	3,570	3,900	4,106	3,577	3,937	4,117	3,568	3,900	4,106

The following table is illuminating as to the number and tonnage of incoming and outgoing vessels in recent years, classified as to the different types:

Type of vessels	Arrived						Sailed					
	1923		1924		1925		1923		1924		1925	
	No.	Net tons	No.	Net tons	No.	Net tons	No.	Net tons	No.	Net tons	No.	Net tons
Steamers	2,499	1,334,383	2,684	1,356,912	2,902	1,310,284	2,506	1,330,353	2,661	1,352,170	2,914	1,320,820
Sailing vessels	847	78,995	993	89,966	959	94,893	843	76,427	980	89,420	933	95,569
Motor vessels	231	28,753	260	47,874	256	38,505	222	24,720	259	46,933	259	42,028
Total	3,577	1,442,131	3,937	1,494,752	4,117	1,443,682	3,571	1,431,500	3,900	1,488,523	4,106	1,455,417

*) since 1923 Klaipēda (Memel).

The Latvian commercial fleet is also developing rapidly, comprising on January 1, 1926, fortythree cargo steamers registering 32,094 net tons, seven cargo and passenger steamers with altogether 598 net tons, and four vessels in Government service with 34 net tons, making a total of 57,867 gross tons or 32,726 net tons. We also possess 54 sailing vessels registering 6,745 net tons, and 9 sailing-motor vessels combined, registering 563 tons. So that our merchant service presents a grand total of 117 vessels with 66,642 gross and 40,034 net reg. tons. Of these vessels, 106 are registered at the port of Riga, 6 at Liepāja, 3 at Ventspils and 2 at Ainaži.

Taking the composition of our merchant service in the year 1914 as the basic percentage, the gradual recovery from 1920 onwards was as follows:

	Steamers	Sailing vessels	Sailing motor vessels	Total
On the 1st January 1914 . .	100	100	100	100
„ „ 1st „ 1920 . .	3·2	17·0	82·3	10·1
„ „ 1st „ 1921 . .	11·4	18·4	90·7	15·1
„ „ 1st „ 1922 . .	29·7	20·1	281	25·7
„ „ 1st „ 1923 . .	28·2	20·1	329	25·1
„ „ 1st „ 1924 . .	50·4	18·1	298	35·5
„ „ 1st „ 1925 . .	56·6	15·7	442	37·9
„ „ 1st „ 1926 . .	72·4	15·8	237·5	45·5

The following table depicts the changes which have taken place in our merchant service in recent years:

	Built	Bought	Sold abroad	Sunk
In 1920	4	3	—	4
„ 1921	8	6	—	6
„ 1922	5	8	2	5
„ 1923	2	13	1	4
„ 1924	2	10	1	11
„ 1925	2	17	2	2

Though comparatively numerous, these vessels are of medium tonnage only, as shown by the following data:

	Steamers	Sailing vessels	Sailing motor vessels	Total
Up to 50 tons	—	9	4	13
From 50 to 100 tons	4	15	2	21
„ 100 „ 200 „	7	15	2	24
„ 200 „ 300 „	6	9	1	16
„ 300 „ 400 „	3	4	—	7
„ 400 „ 500 „	4	2	—	6
„ 500 „ 1.000 „	4	—	—	4
„ 1.000 „ 1.500 „	8	—	—	8
„ 1.500 „ 2.000 „	10	—	—	10
„ 2.000 „ 2.500 „	5	—	—	5
„ 2.500 „ 4.000 „	3	—	—	3
Total . . .	54	54	9	117

As to the seaworthiness of our ships, it must be said that our commercial fleet is greatly in need of supplements. The age of the different kinds of vessels is given below:

	Steamers	Sailing vessels	Motor sailing vessels	Total
Not older than 1 year . .	1	1	—	2
Between 1 to 3 years . .	—	3	1	4
„ 3 „ 5 „ . .	1	9	2	12
„ 5 „ 7 „ . .	—	2	1	3
„ 7 „ 10 „ . .	1	—	—	1
„ 10 „ 15 „ . .	3	9	4	16
„ 15 „ 20 „ . .	7	2	—	9
„ 20 „ 30 „ . .	18	21	—	39
„ 30 „ 40 „ . .	15	3	—	18
„ 40 „ 50 „ . .	5	3	—	8
„ 50 „ 60 „ . .	2	1	—	3
Unknown when built . .	1	—	1	2
Total . .	54	54	9	117

In short, the necessity must be admitted of making an earnest effort in the near future to acquire a large number of cargo steamers of 2000—3000 net reg. tons, which will benefit not only our ports, but our general economic position as well.

BRANCHES OF THE LATVIJAS BANKA IN LATVIA.

EXECUTING ALL BANKING OPERATIONS:

Cēsis (Wenden)	Manager	*M. Bērziņš.*
Daugavpils (Dünaburg) . .	„	*V. Oglevics.*
Jelgava (Mitau)	„	*J. Lecis.*
Liepāja (Libau)	„	*A. Dumpe.*
Rēzekne (Rositten)	„	*J. Millers.*
Valmiera (Wolmar)	„	*P. Kuplis.*
Ventspils (Windau)	„	*A. Neretnieks.*

EXECUTING ALL INLAND OPERATIONS:

Kuldīga (Goldingen) . . . Acting manager *K. Pinkovskis.*

OPERATIONS OF WHICH ARE LIMITED:

Aizpute (Hasenpoth) . . .	Manager	*J. Ruškevics.*
Alūksne (Marienburg) . . .	„	*D. Liezers.*
Bauska	„	*J. Indus.*
Jaunjelgava (Friedrichstadt)	„	*Z. Fogelmans.*
Jēkabpils (Jakobstadt) . . .	„	*F. Skujskubris.*
Limbaži (Lemsal)	„	*K. Cīruls.*
Ludza (Lucin)	„	*K. Vītols.*
Madona	„	*P. Apsīts.*
Saldus (Frauenburg) . . .	„	*F. Gailis.*
Smiltene	„	*E. Apse.*
Talsi	„	*F. Grīnvalds.*
Tukums	„	*O. Paune.*
Rūjiena	„	*V. Leimans.*
Valka	„	*J. Ķimins.*

Furthermore, 234 Post Office Branches execute inland transfer operations for our clients.

FOREIGN CORRESPONDENTS

OF THE

LATVIJAS BANKA.

England:

Bank of England	London
The Royal Bank of Scotland	»
Barclays Bank Limited	»
Lloyds Bank Limited	»
Westminster Bank Limited	»
Samuel Montagu & Co	»
Midland Bank Limited	»
Kleinwort, Sons & Co	»
Glyn, Mills & Co	»
The National City Bank of New-York	»
Equitable Trust Company of New-York	»
Commonwealth Bank of Australia	»

U. S. America:

The National City Bank of New-York	New-York
Irving Bank Columbia Trust Company	»
Equitable Trust Company of New-York	»
Seaboard National Bank	»
The National Bank of Commerce in New-York	»
Guaranty Trust Company of New-York	»

France:

Société Générale	Paris
Banque de Paris et des Pays-Bas	»
Comptoir National d'Escompte de Paris	»
Crédit Lyonnais	»

Belgium:

Banque de Paris et des Pays-Bas	Brussels
Banque Belge pour l'Etranger	»
Banque d'Anvers	Antwerp
Banque de Commerce	»

Switzerland:

Crédit Suisse	Zürich
Schweizerischer Bankverein	»

Italy:

Credito Italiano	Rome
Banca Commerciale Italiana	Milano

Holland:

Banque de Paris et des Pays-Bas	Amsterdam
Deutsche Bank, Filiale Amsterdam	»
Rotterdamsche Bankvereeniging	»
Handel Maatschappij H. Albert de Bary & Co	»

Sweden:

Stockholms Enskilda Bank	Stockholm
Svenska Ekonomiaktiebolaget	»

Norway:

Centralbanken for Norge	Oslo
Den Norske Creditbank	»

Denmark:

Den Danske Landmandsbank	Kopenhagen
Kjöbenhavns Handelsbank	»

Czechoslovakia:

Živnostenská Banka	Prag
Banka Ceskoslovenských legii	»
Bank für Handel & Industrie ehemals "Länderbank"	»

Austria:

Živnostenská Banka	Vienna

Germany:

Reichsbank	Berlin
Deutsche Bank	»
Direction der Disconto Gesellschaft	»
Dresdner Bank	»
Berliner Handelsgesellschaft	»
Darmstädter und Nationalbank	»
Commerz & Privatbank	»
J. Löwenherz	»
Allgemeine Deutsche Creditanstalt	Leipsic
Commerz und Privatbank	Hamburg
Norddeutsche Bank	»
M. M. Warburg & Co	»

Finland:

Suomen Pankki	Helsingfors
A. B. Nordiska Föreningsbanken	»
Unionbanken i Finland	»

Estonia:

Eesti Pank	Tallinn
G. Scheel & Co	»

Lithuania:

Lietuvos Bankas	Kaunas
Lietuvos Tarptautinis Bankas	»
Lietuvos Komercijos Bankas	»

Poland:

Bank Polski	Warsaw
Bank Związku Spółek Zarobkowych	»
Banque d'Escompte de Varsovie	»
Bank Towarżystw Spółdzielczych	Vilno

Roumania:

Banque Belge pour l'Etranger	Boucarest

Russia:

State Bank of the U. S. S. R.	Moscow
» » » » » » » »	Leningrad
» » » » » » » »	Minsk

LATVIJAS BANKA

BANK OF LATVIA

1926

MAP OF LATVIA.

INDICATION:

- RAILWAYS 1524 M/M. (RUSSIAN) GAUGE
- " " 1435 M/M. (NORMAL) GAUGE
- " "1000-600 M/M (OF SMALL GAUGE)
- FRONTIERS OF THE STATE
- FRONTIERS OF THE DISTRICTS
- RIVERS AND LAKES
- NEW TRACED RAILWAY LINE

HEAD OFFICE OF THE LATVIJAS BANKA.

BRANCHES:

- DOING ALL INLAND AND FOREIGN OPERATIONS
- DOING ALL INLAND OPERATIONS
- WITH LIMITED INLAND OPERATIONS

VALSTSPAPĪRU SPIESTUVE.

LATVIJAS BANKA
BANK OF LATVIA

REPORT
FOR
1926.

1927.

PRINTED AT THE STATE PRINTING-OFFICE.

ADMINISTRATION OF THE LATVIJAS BANKA.

COUNCIL.

RINGOLDS KALNINGS — *Chairman,* Member of the Saeima (Parliament), formerly Minister of Finance.

ADOLFS KLĪVE — *Deputy Chairman,* Member of the Saeima.

KĀRLIS BENZE — formerly Member of the Constituent Assembly.

ADOLFS BĻODNIEKS — Member of the Saeima.

EDUARDS EICHMANIS.

MARKUS GAILĪTS — Member of the Saeima.

Dr. FRICIS MENDERS — Member of the Saeima.

JĀNIS MIEZIS — Representative of the Ministry of Finance, Director of the State Economic Department.

PĒTERIS SIECENIEKS — formerly Member of the Saeima, Managing Director of the Central Co-operative Association "Konzums".

JEZUPS TRASUNS — Member of the Saeima.

ANTONS VELKME.

JĀNIS ZĒBERGS — Chairman of the Riga Exchange Committee, formerly Minister for Commerce and Industry.

BOARD OF DIRECTORS.

KĀRLIS VANAGS — *Director General.*

VILIS BANDREVIČS — *Deputy Director General.*

ERNESTS OZOLIŅŠ — *Director.*

JĀNIS STALBOVS — *Director.*

STANISLAVS KAMBALA — *Director.*

LATVIJAS BANKA.

BANK OF LATVIA.

1926.

HE normal general development of the economic life of Latvia in 1926 was impeded by certain circumstances, partly unforeseen, as (1) the poor harvest of that year which reduced the purchasing power of the farmers and consequently aggravated the already difficult position of trade and industry; and (2) the long coal strike in England which suspended the export of timber materials and flax to that country, thus lowering the prices of these goods to the detriment of Latvian economy.

The official statistics show that our agriculture yielded of the seven chief species of grain in 1926 to an aggregate value of 283 million lats, i. e., 56 millions less than in 1925, though the area sown with corn was nearly the same in both years. The unsatisfactory harvest returns greatly affected the position of the farmers, the more so as many of them had borrowed money at high rates of interest in former years, in the hope of augmenting their income. Our farmers would have been in an almost precarious position, owing to the bad crops and low prices in 1926, had they not derived considerable profit from the labour and capital invested in stock farming. Great progress has been made in the latter branch of rural activity, and the export of butter in seven months exceeded by far the results achieved in the same period of the year before. However, the lack of fodder has had an unfavourable effect on dairying, which produced less satisfactory results in the second half of the year, when smaller quantities of butter were exported than in the corresponding period of 1925.

Despite the bad effect of the poor harvest on trade and industry, there has been a continuous increase in the number of small industrial enterprises. However, the significance of the latter, as compared with the large, modern, well organized undertakings, diminishes from year to year, as competition grows keener. The bigger enterprises are growing steadily, taking the lead in this branch of our economic life and gradually clearing the less capable competitors from the field. There are already some enterprises in Latvia employing about one thousand workers each. The growth of Latvian industry is evidenced by the increasing export of manufactured goods, to which the sawmills, dairy farms and the recently restored rubber industry were the principal contributors in 1926. Latvia is also a prominent exporter of paper, linoleum, flax and tow yarn, matches, lubricating oil and agricultural implements.

The development of agriculture, industry, building operations and, in fact, of all branches of activity and production is retarded by the lack of cheap capital. As local means are limited, the question of a foreign loan has been under consideration ever since the creation of the Republic. Numerous offers of credit

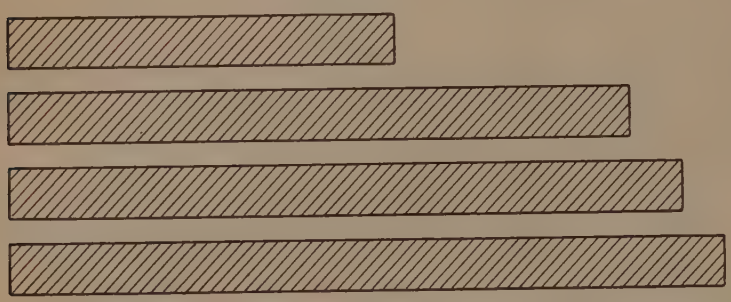
have been made by foreign concerns, but are unacceptable, as the terms and conditions indicated are incompatible with Latvia's financial stability.

Profitable use could be made of a cheap loan, but the offers made so far are exorbitant. Such offers must needs be refused and, in the meantime, Latvia is thrown on its own resources, with the Latvijas Banka as the fountain-head, for satisfying the local demand for credit.

The operations of the Latvijas Banka continued increasing last year, as shown by the monthly balance sheets, given below:

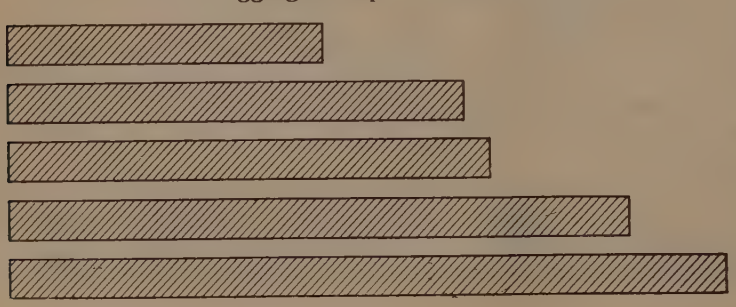
The balance sheet of the Bank was footed with 241·3 million lats on January 1, 1927, as against 224·05 millions on January 1, 1926, showing an increase of 17·2 million lats or 7·7% in the past year. The following diagram shows the annual increase:

Yearly Balance of the Latvijas Banka.



The capital of the Bank amounted to Ls 11,659,245·16 at the beginning of the past year. To this was added 25% of the net profit of 1925, bringing it up to Ls 13,446,905·58. The Reserve Fund amounted to Ls 1,521,714·50 at the beginning of the year, and was increased to 2,236,778·67 by the addition of 10% of the net profit of the preceding year. The special reserve fund remained unchanged at Ls 2,500,000·— in 1926. So that Capital aggregated Ls 18,183,686·25 at the end of the year, as against Ls 15,680,959·66 at the beginning, showing an increase of 2·5 million lats. The capital resources of the Bank have increased as follows, since its foundation:

Aggregate Capital of the Latvijas Banka.



Balance Sheets of the Latvijas Banka

(in thousands of lats)

ASSETS.

Accounts	1926												1927
	1 I	1 II	1 III	1 IV	1 V	1 VI	1 VII	1 VIII	1 IX	1 X	1 XI	1 XII	1 I
1. Cash	14,027	17,065	12,310	11,118	12,386	15,418	15,483	14,521	14,010	13,044	14,074	12,942	17,652
2. Gold coin	959	961	963	967	976	979	989	998	1,010	1,016	1,020	1,022	1,015
3. Bullion	22,602	22,602	22,602	22,602	22,602	22,602	22,602	22,602	22,602	22,602	22,602	22,602	22,603
4. Foreign currency	503	211	293	195	231	289	450	389	297	290	302	352	173
5. Foreign drafts	8,758	9,580	9,732	10,484	11,381	12,410	13,692	14,194	14,962	13,446	9,977	8,386	9,349
6. Foreign currency abroad	19,706	15,239	22,131	24,364	26,587	24,871	21,024	21,669	20,230	20,546	20,163	19,201	21,270
7. Bonds	52	56	62	60	62	60	53	59	58	56	61	61	130
8. Discounted Bills	63,360	63,521	66,087	71,825	68,325	67,480	67,719	67,266	68,145	69,527	70,839	70,826	71,352
9. Spec. secured. curr. a./c.	32,757	32,782	33,023	33,335	33,464	32,412	32,505	32,554	34,073	34,352	35,194	36,887	37,956
10. Loans on security	11,740	11,725	11,481	11,506	11,457	11,533	11,609	11,612	11,565	11,650	11,894	12,162	11,657
11. Commercial credits	6,488	6,165	6,612	6,641	6,718	6,241	6,098	5,546	5,225	4,792	5,330	5,688	4,191
12. Inland Bills for collect	6,133	6,716	7,371	7,287	7,967	6,438	6,032	6,409	6,272	6,418	6,920	6,940	6,805
13. Real estate and furniture	514	525	537	542	546	550	551	554	567	582	605	616	562
14. Transitory sums	28	30	52	41	—	—	—	—	—	—	—	—	—
15. Current expenditure	—	145	293	519	665	807	953	1,109	1,258	1,406	1,556	1,728	—
16. Interest paid & reserved	—	152	304	469	643	787	920	1,130	1,297	1,463	1,647	1,835	—
17. Branches and Head Office	34,747	34,068	33,154	33,415	31,352	31,813	31,830	31,728	30,699	31,029	31,269	31,601	34,353
18. Sundry Assets	1,676	2,079	1,776	1,593	2,656	1,516	1,571	1,697	1,667	2,021	2,018	1,625	2,195
	224,050	223,622	228,783	236,963	238,018	236,206	234,081	234,037	233,937	234,240	235,471	234,474	241,263

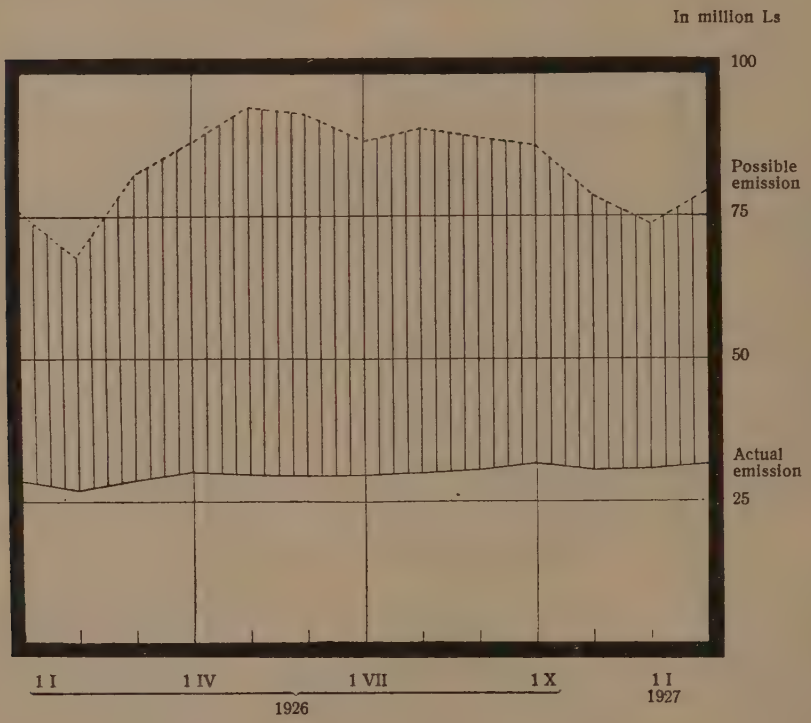
LIABILITIES.

1. Capital	11,659	11,659	11,659	11,659	13,447	13,447	13,447	13,447	13,447	13,447	13,447	13,447	13,447
2. Reserve Fund	1,522	1,522	1,522	1,522	2,237	2,237	2,237	2,237	2,237	2,237	2,237	2,237	2,237
3. Special Reserve	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
4. Notes in circulation	28,634	26,880	28,592	30,130	29,541	29,317	29,567	29,851	30,368	31,576	30,330	30,646	31,476
5. Fixed Deposits	3,559	3,649	3,650	4,281	4,583	4,592	4,636	5,048	4,787	4,897	4,978	8,620	10,626
6. Net Demand Deposits	3,501	3,530	3,563	3,656	3,723	3,855	3,907	4,056	4,125	4,154	4,191	4,197	4,327
7. Current Accounts	37,963	34,886	35,026	31,433	35,089	35,960	36,298	33,754	34,157	35,813	34,304	32,468	32,117
8. Curr. a./c. in foreign currency	7,941	7,898	7,081	7,534	7,181	6,023	5,966	6,505	6,421	6,303	6,856	6,138	5,347
9. Correspondents	795	764	3,415	4,824	4,608	4,378	4,455	4,340	4,518	3,303	3,265	3,297	3,376
10. Remittances not paid	269	104	54	61	117	145	77	68	50	62	57	81	72
11. Credited Collections	6,133	6,716	7,371	7,286	7,967	6,439	6,032	6,409	6,272	6,418	6,920	6,940	6,805
12. Transitory sums	1,919	2,167	3,728	2,430	2,918	3,354	3,622	3,726	3,161	4,198	5,548	3,686	9,205
13. Interest of the curr. year received	—	1,108	1,559	2,243	3,786	4,314	5,963	6,432	6,965	8,757	9,169	9,455	—
14. Commission	—	54	96	206	284	339	441	504	607	720	773	825	—
15. Branches and Head Office	34,747	34,750	33,907	33,869	32,530	32,432	32,697	32,633	31,844	31,675	32,134	32,458	34,353
16. Exchequer	2,487	3,791	4,954	—	5,993	3,469	2,545	1,736	2,898	4,299	3,758	1,558	3,840
17. Govern. deposits & spec. funds	72,359	74,313	72,798	85,155	81,310	83,222	79,493	80,596	79,335	73,619	74,705	75,339	76,824
18. Sundry liabilities	8,062	7,331	7,308	7,184	204	183	198	195	245	262	297	583	4,711
	224,050	223,622	228,783	236,963	238,018	236,026	234,081	234,037	233,937	234,240	235,471	234,474	241,263

The Latvijas Banka was as cautious in the employment of its emission rights in 1926 as in previous years, in strict adherence to the principle of providing full cover of gold and stable foreign currency for all the banknotes in circulation (and not only for 50% thereof, in conformity with the Bank's statutes). In fact, last year the stocks of gold and foreign currency exceeded the amount of issue by 20—59 percent, and even by 250—290%, including short term bills, as the following table shows.

Considering the effective amount of cover available in 1926, the Bank would have been able, in conformity with its statutes, to increase its issue as the following diagram shows, if the general economic situation had warranted such a measure.

The actual and the possible issue of banknotes:



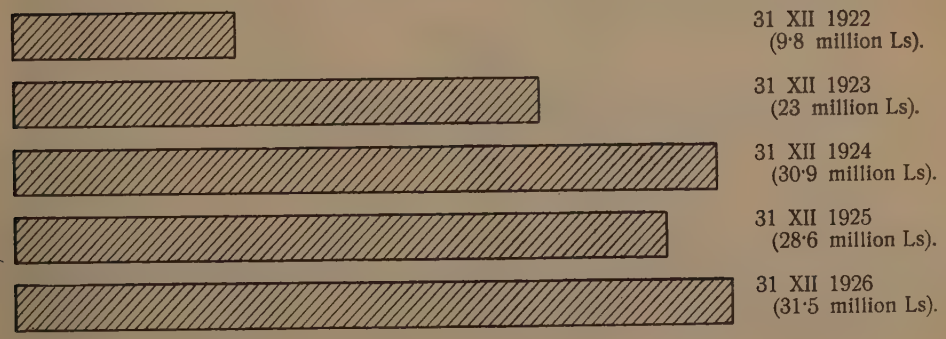
There was no marked increase in the issue of banknotes in the past year, which totalled 31·5 million lats on January 1,1927, as against 28·6 millions on January 1, 1926, showing an increase of only 3 million lats or 9·9% in the course

The Cover of Issue.

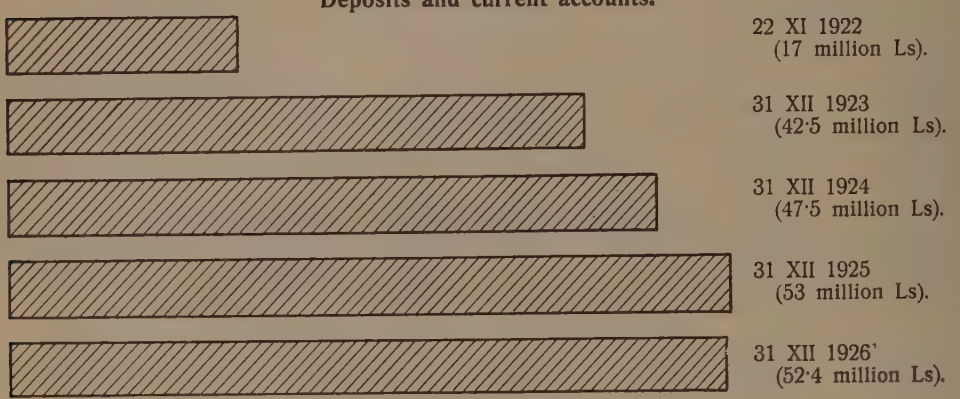
Year, month and day	Banknotes in circulation Ls	Items of cover: Gold and foreign currency Ls	Items of cover: % of the Issue	Items of cover: Short term bills as cover of Issue (Statutes § 13) Ls	Items of cover: Total cover of Issue Ls	% of the Issue	Permissible Issue (statutes § 13) Ls	Permissible, but not utilized Issue Ls
1926								
January 1st . . .	28,634,000	37,896,969	132·35	63,360,384	101,257,353	353·63	75,793,938	47,159,938
February 1st . .	26,879,960	33,860,420	125·97	63,520,642	97,381,062	362·28	67,720,840	40,840,880
March 1st	28,591,920	40,987,602	143·35	66,087,328	107,074,930	374·49	81,975,204	53,383,284
April 1st	30,119,620	43,878,963	145·68	71,824,738	115,703,701	384·04	87,757,926	57,638,306
May 1st	29,540,620	47,044,693	159·25	68,325,129	115,369,822	390·54	94,089,386	64,548,766
June 1st	29,317,090	46,417,891	158·33	67,480,446	113,898,337	388·51	92,835,782	63,518,692
July 1st	29,566,820	44,023,832	148·90	67,718,629	111,742,461	377·93	88,047,664	58,480,844
August 1st. . . .	29,851,140	45,118,040	151·14	67,266,588	112,384,628	376·49	90,236,080	60,484,940
September 1st. .	30,369,500	44,368,208	146·10	68,144,895	112,513,103	370·48	88,736,416	58,366,916
October 1st . . .	31,575,520	43,167,693	136·71	69,527,231	112,694,924	356·90	86,335,386	54,759,866
November 1st. .	30,330,990	39,333,653	129·68	70,838,937	110,172,590	363·23	78,667,306	48,336,316
December 1st . .	30,645,920	36,830,880	120·18	70,825,902	107,656,782	351·26	73,661,760	43,025,840
1927								
January 1st . . .	31,475,700	39,677,046	126·37	71,351,479	111,028,525	352·74	79,354,092	47,878,392

of one year. The following diagram portrays the development of issue since the foundation of the Bank:

Issue of Banknotes.



The aggregate current accounts of the Bank receded last year from 38 to 32·1 million lats, and current accounts in foreign currency from 7·9 to 5·3 million lats. On the other hand, fixed deposits rose from 3·6 to 10·6 million lats, and net demand deposits from 3·5 to 4·3 million lats. The aggregate of these four categories was practically constant last year (53 — 52·4 million lats). The following comparison with the tendency in former years is of interest:



Apart from deposits and current accounts on which no interest is paid, the Bank of Latvia paid interest on money in 1926, at the following rates, which are still in force at present:

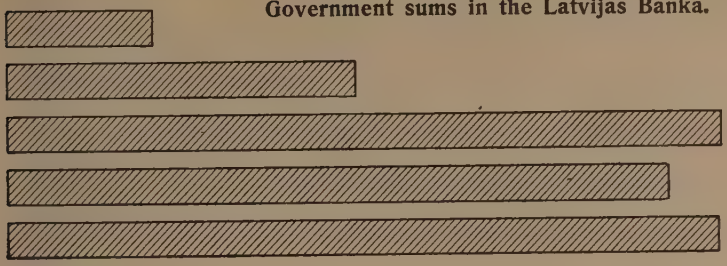
On current a/c. deposits	$4^1/_2$%	per annum.
„ net demand deposits	5%	„ „
„ fixed deposits, up to 6 months . . .	5%	„ „
„ „ „ over 6 months	6%	„ „
„ current accounts in foreign currency	1·5 to 2%	„ „
„ bills paid at least 15 days before the stipulated term, the Bank refunds . .	4%	„ „

These rates are slightly lower than those paid by the majority of our private credit institutions. However, compared with the rates of interest charged on the Bank's active operations, the above rates are the highest possible at the present moment.

Government deposits were by far the biggest item among the Bank's liabilities, and ranged between 74·8 million lats on January 1 (minimum) and 87·3

millions on May 1, 1926 (maximum). This is a constant, stable item, which affords a firm basis for the active operations of the Bank.

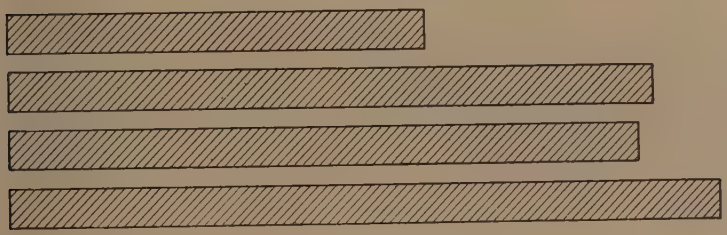
Government sums in the Latvijas Banka.



22 XI 1922 (16·7 million Ls).
31 XII 1923 (39·6 million Ls).
31 XII 1924 (80·9 million Ls).
31 XII 1925 (74·8 million Ls).
31 XII 1926 (80·7 million Ls).

The means at the Bank's disposal increased from 160·5 to 180·6 million lats in the course of 1926, i. e., by 20 million lats or 12·5%. As the resources of the Latvijas Banka still exceed the aggregate resources of all Latvian private credit institutions, the Bank continues to be a dominating factor in the local money market.

Aggregate means.



31 XII 1923 (106·1 million Ls).
31 XII 1924 (162·9 million Ls).
31 XII 1925 (160·5 million Ls).
31 XII 1926 (180·6 million Ls).

The active operations of the Latvijas Banka represented on January 1, 1927 about 69·3% of its aggregate resources, as against 71·2% a year ago. This reveals practically no change in the intensity of the Bank's activity.

Solicitude for the stability of Latvian currency is one of the principal objects of the Latvijas Banka. Its credit policy necessarily tends to regulate our foreign trade, because an immoderate development of imports augments the demand for foreign currency. The Bank's stocks of foreign currency are a natural gauge for the stability of our balance of payments. After receding to a minimum of 25 million lats at the beginning of February 1926, these stocks of foreign currency rose rapidly to the maximum of 37·6 million lats on May 1st, whereupon they declined

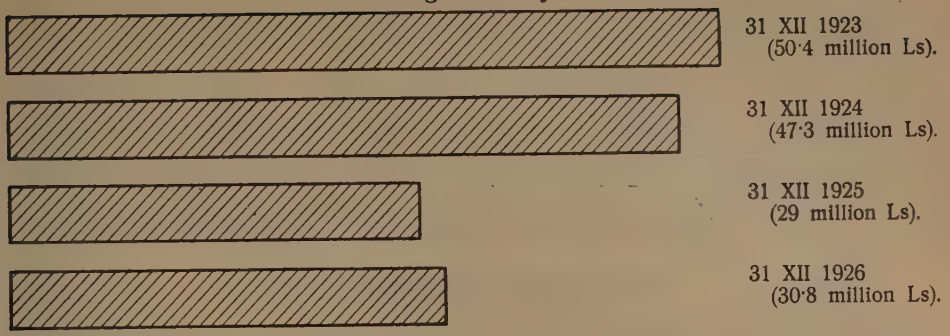
Statistical data

regarding discounted bills, spec. current a/c., commercial credits and terminated loans on January 1st, 1927.

Classification	Economic groups												
	Merchants		Manufacturers		Farmers		Agricul. org.		Credit institutions in the country		Credit institutions in towns		Total
	No. of a/cs.	Sum in thousand Ls	No. of a/cs.	Sum in thousand Ls	No. of a/cs.	Sum in thousand Ls	No. of a/cs.	Sum in thousand Ls	No. of a/cs.	Sum in thousand Ls	No. of a/cs.	Sum in thousand Ls	Sum in thousand Ls
Discounted bills	533	4,691	541	7,692	12	28	52	6,619	71	8,569	110	25,879	53,448
Spec. current a/c.													
Secured by bills	6	134	2	49	—	—	6	563	281	11,466	81	5,692	17,903
Secur. by bonds & other oblig.:													
a) by obligations on real property in the country	—	—	5	32	67	125	—	—	—	—	—	—	157
b) by obligations on real property in the towns .	12	653	44	5,201	—	—	3	514	—	—	3	1,322	7,690
c) by other securities . .	4	235	6	2,864	—	—	—	—	—	—	1	0	3,100
Secured by agric. & ind. plant:													
a) by agricultural plant . .	—	—	—	—	—	—	—	—	283	5,968	37	2,287	8,256
b) by industrial plant . .	1	2	14	378	—	—	—	—	—	—	—	—	380
Secured by goods	55	3,505	75	11,893	—	—	10	570	3	13	14	961	16,942
Secur. by documents for goods	6	1,432	—	—	—	—	—	—	—	—	—	—	1,432
Loans.													
Against bonds & various secur.:													
a) against obligations on real property in the country	—	—	32	230	2,960	4,361	1	6	—	—	—	—	4,597
b) against obligations on real property in the towns .	14	347	201	3,690	—	—	2	282	—	—	1	300	4,618
c) against other securities .	—	—	48	721	—	—	—	—	—	—	1	20	741
Against agricult. & ind. plant:													
a) against agricultural plant	—	—	—	—	3	6	5	15	—	—	—	—	21
b) against industrial plant	2	6	160	1,456	2	7	6	35	1	3	3	39	1,545
Against goods	4	12	20	110	—	—	1	9	—	—	2	2	134
Against documents for goods	—	—	—	—	—	—	—	—	—	—	—	—	—
Commercial credit	16	1,840	20	2,351	—	—	—	—	—	—	—	—	4,191
Total . .	653	12,857	1,168	36,667	3,044	4,527	86	8,613	639	26,019	253	36,472	125,155

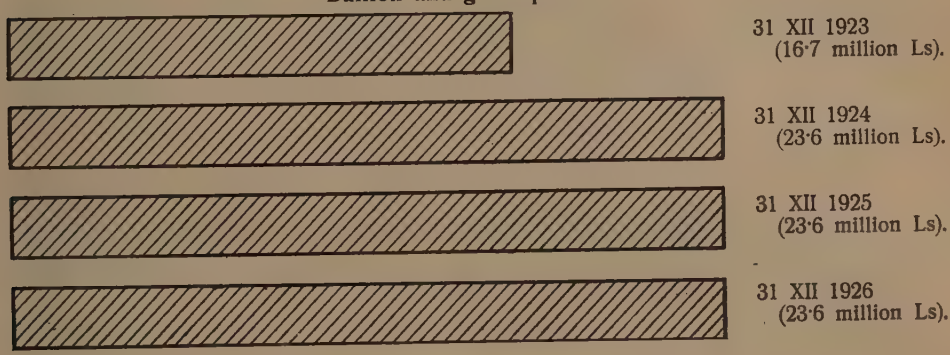
steadily to the level of 27·9 million lats by December 1, but rose again to 30·8 million lats on January 1, 1927. Although they presented a slight increase in 1926 (by 1·8 million lats or 6·2%), these reserves are nevertheless about 40% below the level of three years ago. This is due to the large import credits granted by all Latvian banks. It is only lately that the local banks have been more cautious in this respect.

Foreign currency.

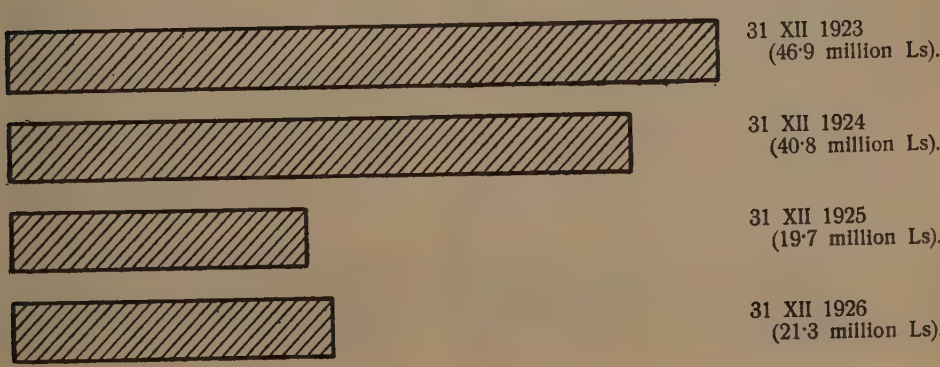


No change of any importance is observed in the stocks of gold and foreign currency, as compared with the situation in the preceding year. They increased from 23·56 to 23·62 million lats, i. e., by about 60,000 lats only.

Bullion and gold specie.



Correspondents a/cs. "Nostro".



The Bank's deposits in foreign countries, compared with the situation in the preceding year, showed a slight increase, but are nevertheless about 50% less than in former years.

With due regard to the economic situation of the country, the Bank's credit policy was extremely cautious throughout the past year, and particularly so in the second half of the year, when the increasing excess of imports in our foreign trade returns stimulated the demand for foreign currency and threatened to absorb the bulk of the Bank's foreign currency reserves. Consequently, the Bank refused almost entirely to credit the import trade, in view of the willingness of foreign exporters to accomodate Latvian importers.

Means & Loans of the Latvijas Banka.
(Lats in millions.)

	31 XII 1923	31 XII 1924	31 XII 1925	31 XII 1926
Own capital	11·2	12·2	15·7	18·2
Banknotes	23·0	30·9	28·6	31·5
Deposits & current accounts	41·5	47·5	53·0	52·4
Government deposits & Exchequer	39·5	80·9	74·8	80·7
Correspondents a/cs. "Loro"	0·2	0·4	0·8	3·4
Total	115·4	171·9	172·9	186·2
Total of loans	38·7	97·7	114·3	125·2

The Council of the Latvijas Banka was equally cautious in regard to other forms of credit, towards the close of the year. It refrains from increasing the amount of credit to private credit institutions, and as the number of these institutions in towns and in the country is already very large for our circumstances, the Bank does not encourage the founding of new establishments and does not grant any new credits.

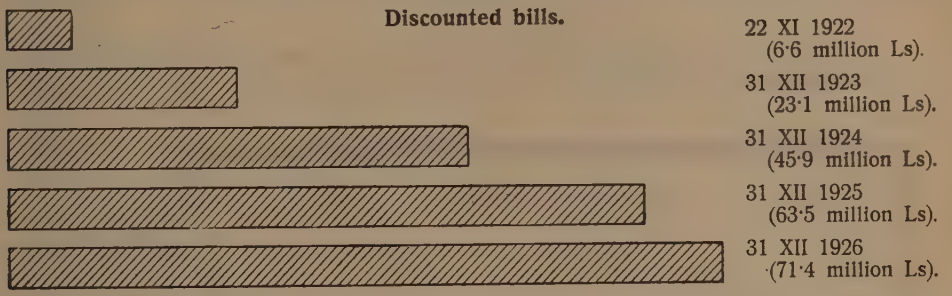
The Bank now pays more attention than hitherto to the promoting of export trade, with a view to adjusting the balance of our foreign trade. Its efforts in this direction have not been devoid of success, as is evidenced by the foreign trade returns for the first quarter of 1927. The official statistics show that exports represent already 90% of the total sum of imports. Considering that the export data are generally less accurate than the import figures, the adjustment of our foreign trade balance may be regarded as nearly attained.

With a view to promoting the most important branch of our exports, viz., the timber trade, the Bank has raised the normal level of loans against timber materials to 50% of their market value, and has relinquished the right, which it reserved formerly, to determine the amount of loan to be granted in each separate case.

A portion of the loans of the Latvijas Banka to agriculture and industry, necessitating longer terms and therefore not in conformity with the nature of the Bank's operations, has been transferred to the State Land Bank and to the State Mortgage Bank.

In principle, the Latvijas Banka has resolved to assume the guarantees given by the Latvian Ministry of Finance. In practice, however, it takes up only such of these as conform to the general nature of its own operations. The Bank accepts each separate guarantee only after re-appraising the securities offered. New guarantees are given by the Bank only for facilitating participation in competitions for tenders announced by Government institutions.

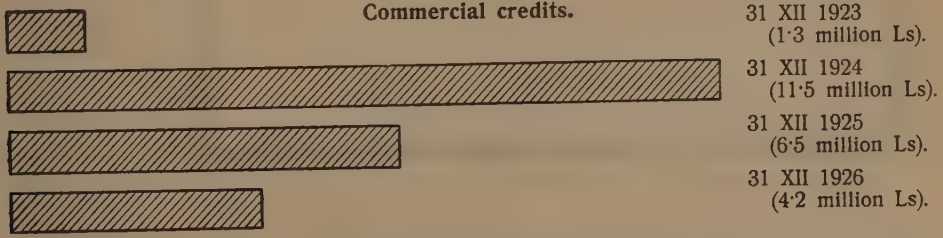
Principal among the active operations of the Latvijas Banka is the discounting of bills, which increased from 63·4 to 71·4 million lats in 1926, i. e., by $12^1/_2{}^0/_0$. This increase was registered in the first and in the last four months of the year, while there was a decrease in the amount of discounted bills in the second period.


Discounted bills.
22 XI 1922 (6·6 million Ls).
31 XII 1923 (23·1 million Ls).
31 XII 1924 (45·9 million Ls).
31 XII 1925 (63·5 million Ls).
31 XII 1926 (71·4 million Ls).

Next in importance among the Bank's operations is the opening of current accounts on security, which increased from 32·8 million lats on January 1, 1926 to 38 millions on January 1, 1927.

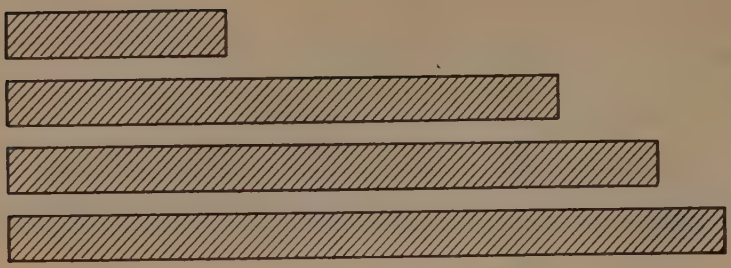
There was no marked change in regard to loans against security, which amounted to 11·74 million lats on January 1, 1926, and to 11·66 millions on January 1, 1927.

Commercial credits decreased from 6·5 million lats on January 1, 1926 to 4·2 millions on January 1, 1927. The amount of commercial credits has been reduced in the past two years.

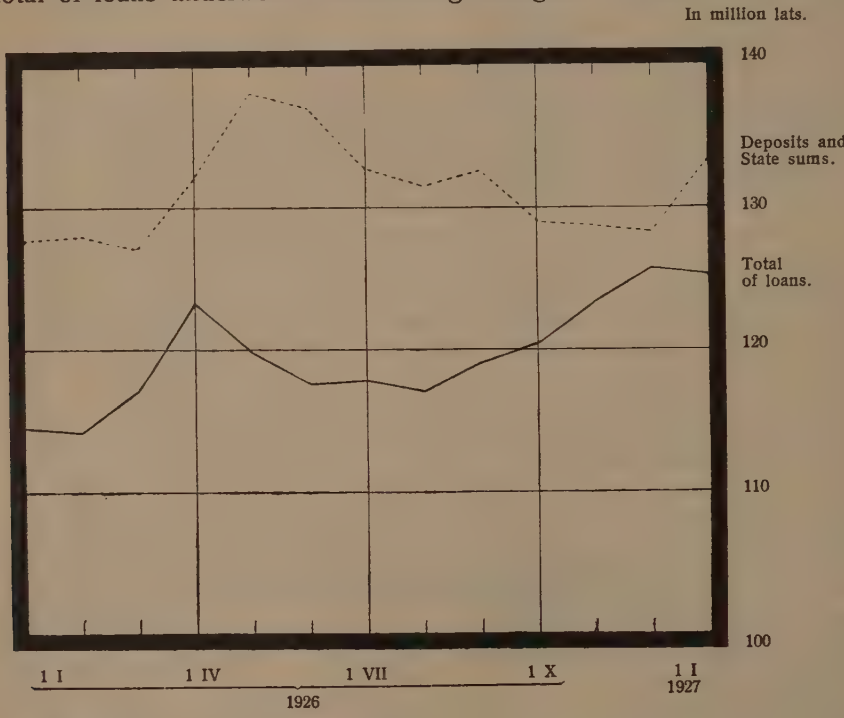


The total sum of the Bank's miscellaneous loans rose in 1926 from 114·3 million lats at the beginning of the year to 125·2 millions on January 1, 1927, i. e., by 10·9 million lats. Year by year, the total amount of loans has been increasing since the foundation of the Bank, as shown by the following comparative data:

Total amount of loans.



In proportion to the Government and private deposits at the Bank's disposal, the total of loans underwent the following changes in 1926:



Towards the close of the year, in view of the rising tendency of loans, as compared with the receding tendency of the Bank's means since April 1, the Latvijas Banka was obliged to limit such operations stringently. However, conditions improved in the last month of the year: the Bank's resources increased, while loans decreased, so that both totals were adjusted.

The distribution of the various loans between the Head Office and the branches of the Bank was as follows on January 1, 1927:

	Bills	Bonds & various securities	Industr. & agriculture plant	Goods & documents for goods	Lett. of Cred. on merchand.	Total	
						1 I 1926	1 I 1927
	Lats, in thousands						
Head Office .	48,246	19,731	5,018	12,693	4,160	80,000	89,847
Liepāja	3,742	488	891	3,366	—	9,631	8,488
Jelgava	6,348	258	1,223	116	—	7,470	7,945
Valmiera . . .	3,541	137	330	13	—	3,667	4,021
Daugavpils . .	2,389	10	1,094	284	21	3,488	3,858
Rēzekne . . .	2,606	—	957	95	—	3,912	3,658
Ventspils . . .	1,361	17	153	1,818	10	3,262	3,359
Cēsis	2,090	218	303	3	—	2,276	2,614
Kuldīga . . .	473	23	177	109	—	679	782
Bauska	446	11	—	—	—	—	457
Tukums . . .	108	10	8	—	—	—	126
Total . .	71,352	20,903	10,202	18,507	4,191	114,345	125,155

The principal economic branches utilized the loans issued by the Bank, re-discounted bills included, to the following extent: —

Farmers	3·7%	4·7	million lats.
Agricultural organizations .	6·9%	8·6	„ „
Manufacturers	29·3%	36·7	„ „
Merchants	10·2%	12·8	„ „
Rural credit institutions . .	20·8%	26·0	„ „
Municipal credit institutions	29·1%	36·4	„ „

The following figures (lats, in thousands) afford a comparison between the different operations of last year and those of the two preceding years:

	Bills	Bonds & various securities	Industr. & agric. plant	Goods & documents for goods	Letters of credit on merchandise	Total
1 I 1925	45,967	15,552	8,645	14,967	11,530	96,661
1 I 1926	63,361	16,363	9,551	15,582	6,488	114,345
1 I 1927	71,352	20,903	10,202	18,507	4,191	125,155
Difference as against preceding year	+ 7,991	+ 4,540	+ 651	+ 2,925	+ 1,703	+ 10,810

Since January 1, 1927, the Latvijas Banka has reduced the rates of interest on loans of all kinds. The following rates of interest are in force at present:

1. From credit institutions in the country:
   (a) for special current account secured by agricultural plant . . . 6%
   (b) for re-discount of bills, and
   (c) for special current a/c. secured by bills of credit institutions,

which charge their clients 10% or less 6%
which charge their clients 11% 7%
(d) for all other loans and special current a/cs. 8%

2. From agriculturists:
   (a) on loans against solo bills, secured by mortgages on real estate in the country . . . . . 6·5%
   (b) for special current a/cs. of a similar nature . . . . . 7·5%
3. From town credit institutions:
   (a) for special current a/c. secured by agricultural plant 6%
   (b) for re-discount of bills 7%
   (c) for all other kinds of loans and special current accounts . . 8%
4. From private persons and institutions:
   (a) for re-discount of bills 8%
   (b) for all other kinds of loans and special current accounts . . 9%

Thus, the Bank is especially lenient to the farmers, who now pay the rural credit institutions only 10 and 11%, as against 12 and 15% in the recent past. This circumstance is of particular importance, considering that agriculture is more in need of cheap credit than the other branches of production. The maximal permissible rate of interest in towns has been determined by law.

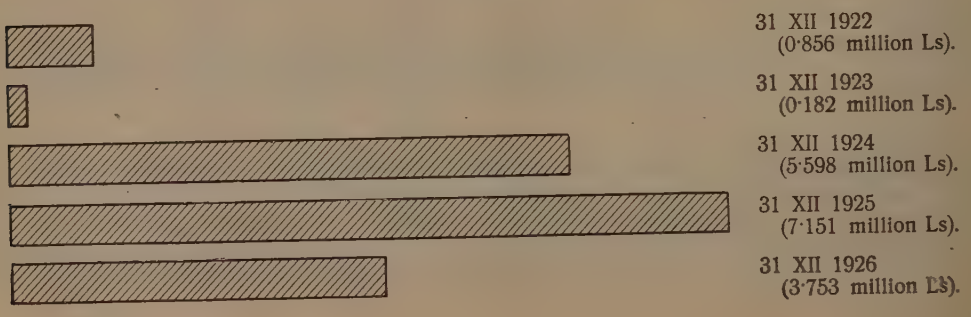
The extent of the different commissions and fines has also been reduced since January 1, 1927.

A clearing house, attached to the Latvijas Banka, has been in operation since January 1, 1927, for the purpose of facilitating the mutual settlement of accounts. Its activity has not been extensive so far, owing to the inconsiderable turnover of cheques; but its development is steady, though gradual.

The branches of the Latvijas Banka developed successful activity, in general, last year. A new branch has been opened in Balvi, while the operations of the branches in Bausk and Tukums have been enlarged by the addition of all inland operations.

The total net profit of the Latvijas Banka in 1926 was less than in either of the two preceding years, in consequence of the large amounts of losses sustained through unprofitable transactions of previous years, which had to be written off. By means of large deductions, the Bank has cleared its balance, thus precluding

Net profit.



the possibility of further complications of this nature recurring. Moreover, there is a possibility of the Bank's recovering a portion of these bad debts. The actual losses of the year 1926 are not extensive.

The principal items of profit and loss in 1926, compared with those of former years, were as follows:

	1922	1923	1924	1925	1926
	(Lats, in thousands)				
Profit.					
On discounted bills	69	1,063	2,234	4,358	4,597
„ spec. current a/cs.	56	681	2,448	3,735	4,343
„ transactions in foreign currency	929	1,518	3,907	3,393	1,826
„ commercial credits	33	197	699	1,543	643
„ terminated loans	11	213	860	1,273	1,253
„ sundries	19	204	130	199	745
Total	1,117	3,876	10,278	14,501	13,407
Loss.					
Loss on operations	55	1,755	545	2,238	5,486
Interest	76	849	1,516	1,760	2,046
Salaries & administrative expenses	130	1,090	1,618	1,853	2,122
Transferred to active operations security fund	—	—	1,000	1,500	—
Total loss	261	3,694	4,679	7,351	9,654
Total net profit	856	182	5,598	7,150	3,753
Total	1,117	3,876	10,277	14,501	13,407

In 1926 the aggregate loan operations yielded a profit of 11,518,000 lats in interests, i. e., 85·9% of the Bank's aggregate gross profit. Deducting a sum of 5,482,000 lats, being the loss sustained on these operations, we arrive at a net profit of 6,036,000 lats on all the loan operations of the Latvijas Banka, which averaged 119·7 million lats in 1926 and rendered revenue to the extent of about 4·5%. In reality, this is a very low estimate, because most of the losses written off date back to operations effected in 1924 and 1925. Moreover, these are not to be regarded as an irretrievable loss.

Much larger profits were derived in former years from transactions in foreign currency. This business has lost much of its significance, though it contributed 8·5% of the Bank's gross receipts in 1926. On the other hand, the profits on loan operations increased in proportion to the aggregate profit of the Bank. The other items of profit comprise miscellaneous commissions.

The loss on operations showed a rising tendency in recent years, owing to (1) the unfavourable tide of the market in respect of certain commodities, against which large credits had been granted in 1924 and 1925; (2) the economic difficulties with which debtors have to contend, and which are peculiar to the present general situation. Furthermore, the year 1923 was an exceptional one by reason of the unforeseen losses caused by the fall of the pound sterling. In proportion to the aggregate gross profit, the loss on operations of the Bank reached the

following extent in recent years: in 1922 (two months only) about 5%, in 1923 — 45%, in 1924 only 5%, in 1925 — 15% and in 1926 — 41%. Of the total amount of Ls 2,510,826 written off in 1924 and 1925, Ls 321,457 have been recovered already, comprising mostly loans to farmers and discounted bills.

The losses on operations in 1926 were classified as follows: on special current account Ls 2,837,587, on commercial credits Ls 1,678,082, on protested bills Ls 555,922, on terminated loans Ls 410,421. On the whole, bills were protested with the Latvijas Banka to a total extent of 1·5 million lats in 1926, of which amount Ls 555,922 were not paid, and were therefore written off. This is a small amount, compared with the total amount of bills protested in Latvia in 1926, about 50 million lats, and considering that most of the bills were re-discounted by the Bank.

The interest on deposits represent 24·4% of the Bank's total expenditure. Salaries, administrative and other current expenditure were in the following proportion to the aggregate gross earnings: in 1923 — 29%, in 1924 — 16%, in 1925 — 13% and in 1926 — 16%.

Apportioning the net profit of Ls 3,753,483 in conformity with the Bank's statutes, the following sums were transferred to the Bank's capital and to State Revenue:

To founded capital (25%) . . .	Ls	938,370·84
„ reserve capital (10%) . . .	„	375,348·33
„ State Revenue.	„	2,196,562·59

These entries having been effected, the Bank's capital comprised the following sums:

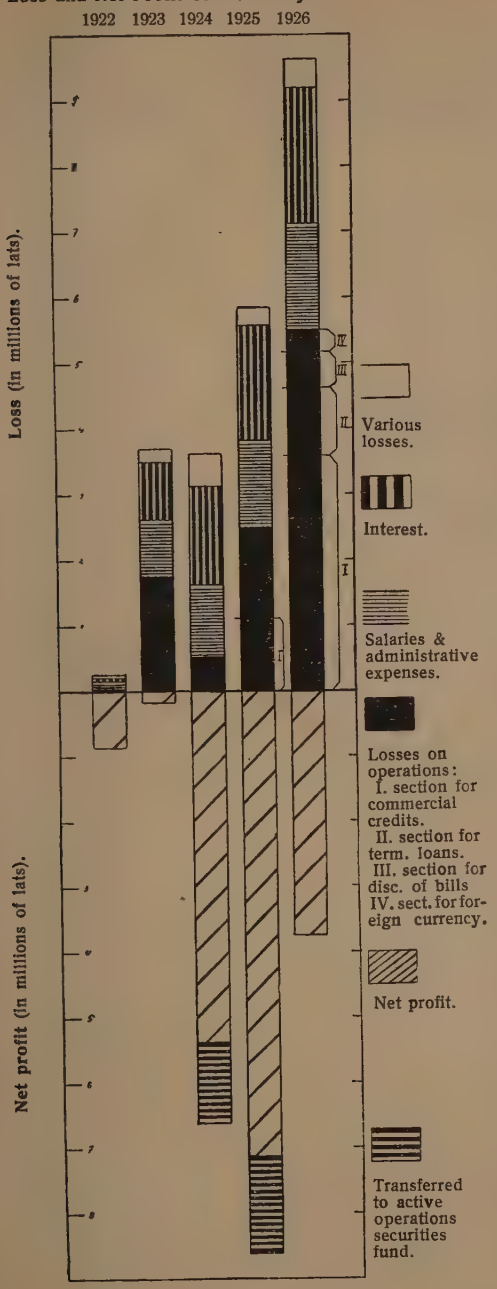
Founded capital.	Ls	14,385,276·42
Reserve capital	„	2,612,127·—
Special reserve fund	„	2,500,000·—
Total . .	Ls	19,496,403·42

This reveals an increase of the Bank's own capital by 95% in the course of four years, apart from which the Bank has augmented State Revenue by the following sums:

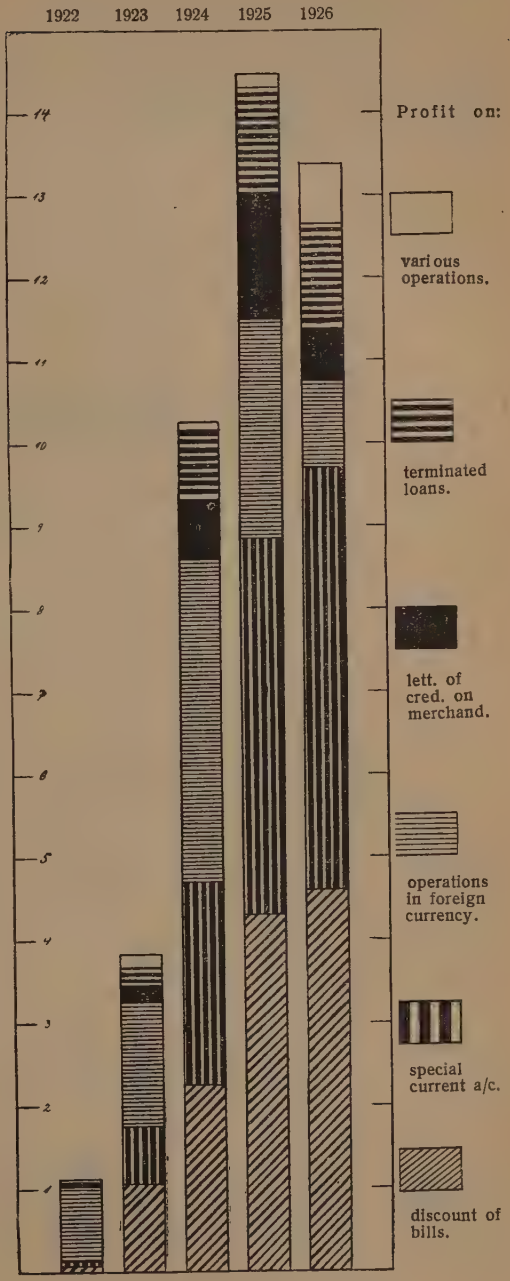
in 1923	Ls	104,792·36
in 1924	„	3,296,301·76
in 1925	„	4,226,800·02
in 1926	„	2,196,562·59
Total . .	Ls	9,824,456·73

The State received about 5·5% on its non-interest-bearing funds, which were at the Bank's disposal during the period under review, including expenditure met by the Bank in executing operations of the Exchequer. And this, despite the adverse conditions under which the Bank operated in 1926. It should be observed, moreover, that on all other deposits and current accounts of State institutions and enterprises the Bank pays just as much interest as on private deposits and current accounts.

Loss and Net Profit of the Latvijas Banka.


1922 1923 1924 1925 1926
Loss (in millions of lats).
Net profit (in millions of lats).
Various losses.
Interest.
Salaries & administrative expenses.
Losses on operations:
I. section for commercial credits.
II. section for term. loans.
III. section for disc. of bills
IV. sect. for foreign currency.
Net profit.
Transferred to active operations securities fund.

Profit of the Latvijas Banka (in millions of lats).



The following changes were recorded in the management of the Latvijas Banka in 1926: Mr. Edgars Švēde, the Director General, resigned his post on September 22, and was succeeded by Mr. Kārlis Vanags, former Deputy Director General. Director Vilis Bandrevičs was appointed in the latter's stead and replaced by Mr. Stanislavs Kambala.

RETURNS
1926.

(IN LATS.)

I. Capital.

Capital on January 1, 1927 . . . . . Ls 13,446,905·58

II. Reserve Fund.

Reserve Fund on January 1, 1927 . . . . . Ls 2,236,778·67

III. The Bank's active operations security fund.

Active operations security fund on January 1, 1927 . . . . . Ls 2,500,000·—

	Head office	Branches	Total
IV. Returns.			
For 1926	3087744871 80	932,144,005 24	4019888877 04
V. Cash.			
Cash in hand on January 1, 1926 . .	5,876,082 75	8,150,558 93	14,026,641 68
Received in 1926	630,714,482 20	219,275,979 12	849,990,461 32
	636,590,564 95	227,426,538 05	864,017,103 —
Paid out in 1926	627,860,142 39	218,505,194 21	846,365,336 60
Balance on January 1, 1927	8,730,422 56	8,921,343 84	17,651,766 40
VI. Gold Specie.			
Cash on January 1, 1926	949,665 04	8,894 96	958,560 —
Received in 1926.	132,574 93	76,759 39	209,334 32
	1,082,239 97	85,654 35	1,167,894 32
Paid out in 1926	79,733 —	73,271 81	153,004 81
Balance on January 1, 1927	1,002,506 97	12,382 54	1,014,889 51
Profit on gold specie	4,436 64	1,122 63	5,559 27
VII. Silver Specie.			
Balance on January 1, 1926	644 76	3,782 74	4,427 50
Received in 1926	87,057 97	56,745 14	143,803 11
	87,702 73	60,527 88	148,230 61
Paid out in 1926	78,535 70	56,797 39	135,333 09
Balance on January 1, 1927	9,167 03	3,730 49	12,897 52
Profit on silver specie	1,107 71	878 20	1,985 91

	Head office	Branches	Total
VIII. Bullion.			
Balance on January 1, 1926	7,869,335 32	— —	7,869,335 32
Received in 1926	416 70	— —	416 70
	7,869,752 02	— —	7,869,752 02
Paid out in 1926	— —	— —	— —
Balance on January 1, 1927	7,869,752 02	— —	7,869,752 02
IX. Bullion. State Deposit.			
Balance on January 1, 1926	14,732,937 76	— —	14,732,937 76
Received in 1926	— —	— —	— —
	14,732,937 76	— —	14,732,937 76
Paid out in 1926	47 01	— —	47 01
Balance on January 1, 1927	14,732,890 75	— —	14,732,890 75
X. Foreign Currency.			
Balance on January 1, 1926	452,884 60	46,051 23	498,935 83
Received in 1926	2,249,548 57	691,447 02	2,940,995 59
	2,702,433 17	737,498 25	3,439,931 42
Paid out in 1926	2,624,465 39	655,144 97	3,279,610 36
Balance on January 1, 1927	77,967 78	82,353 28	160,321 06
Profit on foreign currency	20,415 40	7,361 65	27,777 05
Commis. received on foreign currency	29,127 34	14,964 23	44,091 57
	49,542 74	22,325 88	71,868 62
XI. Money in Transit.			
Balance on January 1, 1926	— —	— —	— —
Remitted to correspondents in 1926 .	193,815 12	6,519 80	200,334 92
	193,815 12	6,519 80	200,334 92
Received by correspondents in 1926 .	193,815 12	6,519 80	200,334 92
Balance on January 1, 1927	— —	— —	— —
Profit on money in transit	— —	11 96	11 96

	Head office	Branches	Total
XII. Foreign Drafts.			
Balance on January 1, 1926	— —	535 59	535 59
Received in 1926	— —	1,374,227 99	1,374,227 99
	— —	1,374,763 58	1,374,763 58
Sent in 1926	— —	1,374,293 60	1,374,293 60
Balance on January 1, 1927	— —	469 98	469 98
Profit on Foreign drafts	— —	208 70	208 70
XIII. Foreign Drafts with Corresp.			
Balance on January 1, 1926	8,757,056 59	611 29	8,757,667 88
Sent to correspondents in 1926	42,292,571 60	1,370,914 25	43,663,485 85
	51,049,628 19	1,371,525 54	52,421,153 73
Collected by correspondents in 1926	41,701,282 04	1,371,421 74	43,072,703 78
Balance on January 1, 1927	9,348,346 15	103 80	9,348,449 95
Profit on these drafts	128,368 80	1,173 27	129,542 07
XIV. Postal Cheques.			
Balance on January 1, 1926	351,717 67	365,714 02	717,431 69
Paid in during 1926	31,686,038 59	12,116,391 89	43,802,430 48
	32,037,756 26	12,482,105 91	44,519,862 17
Received during 1926	31,522,663 18	12,131,248 49	43,653,911 67
Balance on January 1, 1927	515,093 08	350,857 42	865,950 50
Interest received	1,897 55	2,681 47	4,579 02
XV. Bonds.			
Balance on January 1, 1926	32,352 50	19,742 —	52,094 50
Received in 1926	134,625 49	35,762 31	170,387 80
Transport	166,977 99	55,504 31	222,482 30

	Head office	Branches	Total
Transport	166,977 99	55,504 31	222,482 30
Delivered in 1926	56,479 99	35,522 31	92,002 30
Balance on January 1, 1927	110,498 —	19,982 —	130,480 —
Profit on bonds	8,540 73	2,806 01	11,346 74
Specification of Bonds.			
4% Latvian internal loan:			
Head office:—Branches:			
474— 4,843; à Ls 2·—	948 —	9,686 —	10,634 —
5% Liberty loan of 1918:			
Head office:—Branches:			
3,780— 1,292; à Ls —·50	1,890 —	646 —	2,536 —
19,945— 5,340; „ „ 1·—	19,945 —	5,340 —	25,285 —
1,543— 620; „ „ 5·—	7,715 —	3,100 —	10,815 —
10— 121; „ „ 10·—	100 —	1,210 —	1,310 —
7— — „ „ 100·—	700 —	— —	700 —
6% bonds of the State Land Bank:			
Head office:—Branches:			
2— — à Ls 100·—	200 —	— —	200 —
4— — „ „ 1,000·—	4,000 —	— —	4,000 —
1— — „ „ 5,000·—	5,000 —	— —	5,000 —
1— — „ „ 10,000·—	10,000 —	— —	10,000 —
3— — „ „ 20,000·—	60,000 —	— —	60,000 —
Total 25,770—12,216	110,498 —	19,982 —	130,480 —

XVI. Discounted Bills.

Balance on January 1, 1926	34,952,613 34	12,506,438 05	47,459,051 39
Discounted in 1926	159,109,701 50	53,299,200 48	212,408,901 98
	194,062,314 84	65,805,638 53	259,867,953 37
Redeemed in 1926	156,154,441 95	51,424,935 40	207,579,377 35
Balance on January 1, 1927	37,907,872 89	14,380,703 13	52,288,576 02
Interest received	3,365,491 51	1,146,657 57	4,512,149 08
Commission received	47,822 13	37,181 10	85,003 23
	3,413,313 64	1,183,838 67	4,597,152 31

	Head office	Branches	Total
XVII. Discounted Bills with Corresp.			
Balance on January 1, 1926	325,789 54	906,383 84	1,232,173 38
Sent in 1926	8,238,718 01	6,767,262 22	15,005,980 23
	8,564,507 55	7,673,646 06	16,238,153 61
Redeemed and returned	8,302,183 83	6,776,368 23	15,078,552 06
Balance on January 1, 1927	262,323 72	897,277 83	1,159,601 55
XVIII. Special Current Accounts.			
a) Secured by Bills:			
Balance on January 1, 1926	8,386,770 88	6,282,388 15	14,669,159 03
Paid out in 1926	27,826,398 28	17,704,192 36	45,530,590 64
	36,213,169 16	23,986,580 51	60,199,749 67
Refunded in 1926	26,137,394 02	16,159,054 27	42,296,448 29
Balance on January 1, 1927	10,075,775 14	7,827,526 24	17,903,301 38
Interest received	576,648 71	529,662 22	1,106,310 93
Commission received	2,106 14	411 36	2,517 50
	578,754 85	530,073 58	1,108,828 43
b) Covered by Bonds and various securities:			
Balance on January 1, 1926	6,210,407 05	615,484 22	6,825,891 27
Paid out in 1926	11,338,946 75	164,220 04	11,503,166 79
	17,549,353 80	779,704 26	18,329,058 06
Repaid in 1926	7,276,048 02	106,953 56	7,383,001 58
Balance on January 1, 1927	10,273,305 78	672,750 70	10,946,056 48
Interest received	703,755 10	60,147 50	763,902 60
Commission received	35,033 70	2,122 18	37,155 88
	738,788 80	62,269 68	801,058 48
c) Covered by industrial and agricultural plant:			
Balance on January 1, 1926	3,583,641 30	4,262,416 86	7,846,058 16
Paid out in 1926	1,490,665 70	2,236,440 22	3,727,105 92
Transport	5,074,307 —	6,498,857 08	11,573,164 08

	Head office	Branches	Total
Transport	5,074,307 —	6,498,857 08	11,573,164 08
Repaid in 1926	1,242,441 27	1,694,808 69	2,937,249 96
Balance on January 1, 1927	3,831,865 73	4,804,048 39	8,635,914 12
Interest received	250,995 44	312,545 05	563,540 49
Commission received	396 60	510 23	906 83
	251,392 04	313,055 28	564,447 32
d) Covered by goods:			
Balance on January 1, 1926	9,332,543 32	8,380,801 57	17,713,344 89
Paid out in 1926	13,606,805 09	7,183,165 27	20,789,970 36
	22,939,348 41	15,563,966 84	38,503,315 25
Refunded in 1926	11,436,833 93	10,124,797 25	21,561,631 18
Balance on January 1, 1927	11,502,514 48	5,439,169 59	16,941,684 07
Interest received	1,028,349 13	624,175 56	1,652,524 69
Commission received	64,054 60	47,191 57	111,246 17
	1,092,403 73	671,367 13	1,763,770 86
e) Covered by documents for goods:			
Balance on January 1, 1926	190,859 06	180,364 64	371,223 70
Paid out in 1926	1,186,980 34	3,457,721 12	4,644,701 46
	1,377,839 40	3,638,085 76	5,015,925 16
Refunded in 1926	287,576 41	3,296,246 73	3,583,823 14
Balance on January 1, 1927	1,090,262 99	341,839 03	1,432,102 02
Interest received	77,134 11	19,148 70	96,282 81
Commission received	4,487 35	4,098 40	8,585 75
	81,621 46	23,247 10	104,868 56
XIX. Loans.			
a) Against Bonds and other securities:			
Balance on January 1, 1926	9,051,233 22	486,090 06	9,537,323 28
Granted in 1926	3,516,794 46	242,065 83	3,758,860 29
Transport	12,568,027 68	728,155 89	13,296,183 57

	Head office	Branches	Total
Transport	12,568,027 68	728,155 89	13,296,183 57
Refunded in 1926	3,110,723 43	228,933 05	3,339,656 48
Balance on January 1, 1926	9,457,304 25	499,222 84	9,956,527 09
Interest received	851,784 11	43,009 93	894,794 04
Commission received	246,683 30	361 48	247,044 78
	1,098,467 41	43,371 41	1,141,838 82
b) Against industrial and agricultural plant:			
Balance on January 1, 1926	1,268,814 47	437,001 14	1,705,815 61
Granted in 1926	379,669 55	234,734 87	614,404 42
	1,648,484 02	671,736 01	2,320,220 03
Refunded in 1926	462,813 10	290,789 85	753,602 95
Balance on January 1, 1927	1,185,670 92	380,946 16	1,566,617 08
Interest received	111,095 65	45,622 46	156,718 11
Commission received	560 76	4,727 85	5,288 61
	111,656 41	50,350 31	162,006 72
c) Against goods:			
Balance on January 1, 1926	439,853 —	56,701 08	496,554 08
Granted in 1926	182,385 50	30,907 75	213,293 25
	622,238 50	87,608 83	709,847 33
Refunded in 1926	522,388 50	53,882 —	576,270 50
Balance on January 1, 1927	99,850 —	33,726 83	133,576 83
Interest received	41,492 03	5,378 44	46,870 47
Commission received	1,783 64	47 62	1,831 26
	43,275 67	5,426 06	48,701 73
XX. Advances against Documents.			
Balance on January 1, 1926	— —	— —	— —
Advanced in 1926	— —	27,821 45	27,821 45
	— —	27,821 45	27,821 45
Refunded in 1926	— —	27,821 45	27,821 45
Balance on January 1, 1927	— —	— —	— —
Interest received	— —	335 79	335 79
Commission received	— —	— —	— —
	— —	335 79	335 79

	Head office	Branches	Total
XXI. Commercial Credit.			
Balance on January 1, 1926	6,257,406 75	230,784 28	6,488,191 03
Issued in 1926	11,549,602 50	87,598 31	11,637,200 81
	17,807,009 25	318,382 59	18,125,391 84
Refunded in 1926	13,647,407 43	287,226 62	13,934,634 05
Balance on January 1, 1927	4,159,601 82	31,155 97	4,190,757 79
Interest received	564,179 88	14,080 01	578,259 89
Commission received	50,327 50	5,776 53	56,104 03
	614,507 38	19,856 54	634,363 92
XXII. Accounts with Corresp. Nostro			
Balance on January 1, 1926 in favour of Latvijas Banka	19,706,497 59	— —	19,706,497 59
Correspondents received in 1926 . .	290,585,497 83	— —	290,585,497 83
	310,291,995 42	— —	310,291,995 42
„ paid out in 1926 . .	289,021,729 25	— —	289,021,729 25
Balance on January 1, 1927 in favour of Latvijas Banka	21,270,266 17	— —	21,270,266 17
Interest paid	73,303 —	— —	73,303 —
„ received	684,334 14	— —	684,334 14
Profit on exchange	923,797 59	— —	923,797 59
XXIII. Accounts with Corresp. Loro			
Balance on January 1, 1926:			
In favour of Correspondents . . .	803,296 58	— —	803,296 58
„ „ „ Latvijas Banka . . .	8,647 —	— —	8,647 —
Balance due to Correspondents . .	794,649 58	— —	794,649 58
Received from Correspondents in 1926	16,557,840 86	— —	16,557,840 86
	17,352,490 44	— —	17,352,490 44
Remitted to Correspondents in 1926	13,976,073 70	— —	13,976,073 70
Balance on January 1, 1927	3,376,416 74	— —	3,376,416 74
„ in favour of Correspondents .	3,380,374 06	— —	3,380,374 06
„ „ „ „ Latvijas Banka .	3,957 32	— —	3,957 32
Balance due to Correspondents . . .	3,376,416 74	— —	3,376,416 74
Interest received	390 73	— —	390 73
„ paid	34,596 89	— —	34,596 89

	Head office		Branches		Total	
XXIV. Collections.						
a) Bills collected:						
Balance on January 1, 1926	1,949,054	68	2,034,702	72	3,983,757	40
Entered in 1926	24,731,188	23	30,181,085	17	54,912,273	40
	26,680,242	91	32,215,787	89	58,896,030	80
Redeemed in 1926	24,367,522	77	30,166,102	11	54,533,624	88
Balance on January 1, 1927	2,312,720	14	2,049,685	78	4,362,405	92
b) Documents collected:						
Balance on January 1, 1926	584,651	81	74,304	86	658,956	67
Entered in 1926	9,363,891	29	2,943,699	02	12,307,590	31
	9,948,543	10	3,018,003	88	12,966,546	98
Redeemed in 1926	9,018,024	38	2,942,277	33	11,960,301	71
Balance on January 1, 1927	930,518	72	75,726	55	1,006,245	27
c) Bills sent to Correspondents and Branches:						
Balance on January 1, 1926	761,249	13	138,600	90	899,850	03
Transmitted in 1926	10,111,544	17	1,553,171	10	11,664,715	27
	10,872,793	30	1,691,772	—	12,564,565	30
Redeemed in 1926	10,071,881	37	1,553,410	06	11,625,291	43
Balance on January 1, 1927	800,911	93	138,361	94	939,273	87
d) Documents sent to Correspondents and Branches:						
Balance on January 1, 1926	423,940	33	166,504	71	590,445	04
Transmitted in 1926	4,367,996	91	3,203,946	50	7,571,943	41
	4,791,937	24	3,370,451	21	8,162,388	45
Redeemed in 1926	4,650,099	76	3,015,199	87	7,665,299	63
Balance on January 1, 1927	141,837	48	355,251	34	497,088	82
e) Collections Creditors:						
Balance on January 1, 1926	3,718,895	95	2,414,113	19	6,133,009	14
Received doc. for collect. in 1926 . .	48,561,694	72	37,790,923	39	86,352,618	11
Transport	52,280,590	67	40,205,036	58	92,485,627	25

	Head office	Branches	Total
Transport	52,280,590 67	40,205,036 58	92,485,627 25
Redeemed in 1926	48,094,602 40	37,586,010 97	85,680,613 37
Balance on January 1, 1927	4,185,988 27	2,619,025 61	6,805,013 88
Rec. Commission on these transactions	60,906 31	25,792 73	86,699 04
XXV. Furniture and Fixtures.			
Balance on January 1, 1926	184,852 78	103,751 27	288,604 05
Acquisitions in 1926	47,823 26	50,395 94	98,219 20
	232,676 04	154,147 21	386,823 25
Written off 1926	31,286 44	28,892 82	60,179 26
Balance on January 1, 1927	201,389 60	125,254 39	326,643 99
XXVI. Real Property.			
Balance on January 1, 1926	— —	225,182 03	225,182 03
Acquisitions in 1926	— —	23,631 67	23,631 67
	— —	248,813 70	248,813 70
Amortization written off for 1926 . .	— —	13,056 80	13,056 80
Balance on January 1, 1927	— —	235,756 90	235,756 90
XXVII. Protested Bills.			
Balance on January 1, 1926	25,645 45	1,370 —	27,015 45
Protested in 1926	995,612 95	531,343 11	1,526,956 06
	1,021,258 40	532,713 11	1,553,971 51
Redeemed and written off in 1926 . .	1,021,258 40	532,713 11	1,553,971 51
XXVIII. Dubious Claims.			
Written off in 1926	1,293 —	822 88	2,115 88
Recovered in 1926	— —	546 88	546 88
Balance on January 1, 1927	1,293 —	276 —	1,569 —
XXIX. Transitory Values.			
Balance on January 1, 1926	47,379,108 37	1,423,104 35	48,802,212 72
Received in 1926	35,014,122 09	6,269,889 09	41,284,011 18
	82.393,230 46	7,692,993 44	90,086,223 90
Disbursed in 1926	57,265,977 52	2,165,664 82	59,431,642 34
Balance on January 1, 1927	25,127,252 94	5,527,328 62	30,654,581 56

	Head office		Branches		Total	
XXX. Disbursements to be refunded.						
Balance on January 1, 1926	7,026	67	2,207	25	9,233	92
Disbursed in 1926	160,684	45	80,114	23	240,798	68
	167,711	12	82,321	48	250,032	60
Refunded in 1926	163,107	39	79,895	34	243,002	73
Balance on January 1, 1927	4,603	73	2,426	14	7,029	87
XXXI. Special current accounts securities.						
Balance on January 1, 1926	41,428,429	91	29,814,792	95	71,243,222	86
Received in 1926	82,519,545	80	30,477,916	06	112,997,461	86
	123,947,975	71	60,292,709	01	184,240,684	72
Paid out in 1926	68,033,221	40	30,924,012	38	98,957,233	78
Balance on January 1, 1927	55,914,754	31	29,368,696	63	85,283,450	94
XXXII. Special current accounts secured by Bills bearing two signatures.						
Balance on January 1, 1926	10,806,638	24	7,284,110	50	18,090,748	74
Paid in on a/c. in 1926	47,824,714	18	22,842,776	70	70,667,490	88
	58,631,352	42	30,126,887	20	88,758,239	62
Paid out in 1926	44,555,052	71	21,286,178	74	65,841,231	45
Balance on January 1, 1927	14,076,299	71	8,840,708	46	22,917,008	17
XXXIII. Securities for advances and letters of credit issued on goods.						
Balance on January 1, 1926	14,694,025	06	324,747	—	15,018,772	06
Received in 1926	18,533,411	56	1,501,792	11	20,035,203	67
	33,227,436	62	1,826,539	11	35,053,975	73
Refunded in 1926	18,800,588	04	1,779,289	—	20,579,877	04
Balance on January 1, 1927	14,426,848	58	47,250	11	14,474,098	69
XXXIV. Bill Deposits.						
Balance on January 1, 1926	31,692,406	30	17,001,584	10	48,693,990	40
Received in 1926	39,016,235	43	16,360,545	92	55,376,781	35
Transport	70,708,641	73	33,362,130	02	104,070,771	75

	Head office	Branches	Total
Transport	70,708,641 73	33,362,130 02	104,070,771 75
Refunded in 1926	31,651,789 42	18,562,614 10	50,214,403 52
Balance on January 1, 1927	39,056,852 31	14,799,515 92	53,856,368 23
XXXV. Debtors for guarantees.			
Balance on January 1, 1926	167,843 19	— —	167,843 19
Guarantees given in 1926	766,189 43	450 —	766,639 43
	934,032 62	450 —	934,482 62
Guarantees expired in 1926	677,814 41	— —	677,814 41
Balance on January 1, 1927	256,218 21	450 —	256,668 21
XXXVI. Banknotes in Circulation.			
Balance on January 1, 1926	28,634,000 —	— —	28,634,000 —
Issued in 1926	15,313,290 —	— —	15,313,290 —
	43,947,290 —	— —	43,947,290 —
Withdrawn in 1926	12,471,590 —	— —	12,471,590 —
Balance on January 1, 1927	31,475,700 —	— —	31,475,700 —
XXXVII. Deposits.			
a) Fixed Deposits:			
Balance on January 1, 1926	3,414,075 95	145,326 —	3,559,401 95
Paid in in 1926	7,895,497 27	252,802 —	8,148,299 27
	11,309,573 22	398,128 —	11,707,701 22
Paid out in 1926	914,305 09	167,384 82	1,081,689 91
Balance on January 1, 1927	10,395,268 13	230,743 18	10,626,011 31
Paid interest on these	29,9371 60	12,421 10	311,792 70
b) Net Demand Deposits (sav. booklets):			
Balance on January 1, 1926	1,637,918 39	1,756,110 02	3,394,028 41
Paid in in 1926	2,051,260 31	1,807,990 48	3,859,250 79
	3,689,178 70	3,564,100 50	7,253,279 20
Paid out in 1926	1,556,924 85	1,385,596 87	2,942,521 72
Balance on January 1, 1927	2,132,253 85	2,178,503 63	4,310,757 48
Paid interest on these	90,337 36	91,548 21	181,885 57

	Head office	Branches	Total
c) Net Demand Deposits bearing no interest:			
Balance on January 1, 1926	— —	106,850 08	106,850 08
Paid in in 1926	— —	156,417 43	156,417 43
	— —	263,267 51	263,267 51
Paid out in 1926	— —	247,249 72	247,249 72
Balance on January 1, 1927	— —	16,017 79	16,017 79
XXXVIII. Current Accounts.			
a) Ordin. curr. accounts (bearing inter.):			
Balance on January 1, 1926	29,292,506 96	3,818,458 21	33,110,965 17
Paid in in 1926	367,095,485 10	116,522,389 32	483,617,874 42
	396,387,992 06	120,340,847 53	516,728,839 59
Paid out in 1926	373,929,894 29	114,951,525 53	488,881,419 82
Balance on January 1, 1927	22,458,097 77	5,389,322 —	27,847,419 77
Paid interest on these	1,085,019 91	146,894 23	1,231,914 14
b) Current accounts bearig no interest:			
Balance on January 1, 1926	4,058,583 19	793,837 93	4,852,421 12
Paid in in 1926	44,298,948 18	15,714,681 03	60,013,629 21
	48,357,531 37	16,508,518 96	64,866,050 33
Paid out in 1926	44,757,692 41	15,838,809 91	60,596,502 32
Balance on January 1, 1927	3,599,838 96	669,709 05	4,269,548 01
c) Current accounts in foreign currency:			
Balance on January 1, 1926	7,939,638 14	1,045 55	7,940,683 69
Paid in in 1926	16,496,561 63	67,275 07	16,563,836 70
	24,436,199 77	68,320 62	24,504,520 39
Paid out in 1926	19,147,757 69	9,216 67	19,156,974 36
Balance on January 1, 1927	5,288,442 08	59,103 95	5,347,546 03
Paid interest	211,998 20	35 80	212,034 —
Profit on exchange	12,417 59	— —	12,417 59
Loss „ „	— —	70 39	70 39

	Head office	Branches	Total
XXXIX. Transfers.			
a) Inward, not paid out:			
Balance on January 1, 1926	11,269 67	41,745 71	53,015 38
Transferred during 1926	345,957 78	570,534 85	916,492 63
	357,227 45	612,280 56	969,508 01
Paid out „ 1926	357,112 46	611,937 56	969,050 02
Balance on January 1, 1927	114 99	343 —	457 99
Commission received on these . . .	3,324 65	4,933 68	8,258 33
b) Outward, not paid out:			
Balance on January 1, 1926	6,863 40	522 —	7,385 40
Transferred during 1926	2,152,478 49	25,055 32	2,177,533 81
	2,159,341 89	25,577 32	2,184,919 21
Paid out „ 1926	2,151,183 88	24,241 14	2,175,425 02
Balance on January 1, 1927	8,158 01	1,336 18	9,494 19
Commission received on these . . .	6,992 88	273 88	7,266 76
c) Inland payments ordered:			
Ordered in 1926	580,721 27	14,219,737 82	14,800,459 09
	580,721 27	14,219,737 82	14,800,459 09
Paid out in 1926	576,738 12	14,171,131 09	14,747,869 21
Balance on January 1, 1927	3,983 15	48,606 73	52,589 88
d) Outward payments ordered:			
Balance on January 1, 1926	208,818 89	— —	208,818 89
Ordered in 1926	2,895,910 11	216,755 82	3,112,665 93
	3,104,729 —	216,755 82	3,321,484 82
Paid out in 1926	3,095,498 49	216,755 82	3,312,254 31
Balance on January 1, 1927	9,230 51	— —	9,230 51
XL. Head Office and Branches.			
Balance on January 1, 1926:			
Liabilities of Branches to the Head Office	34,747,104 83	— —	— —
With the Branches Assets of the „ „	—	34,747,104 83	— —

	Head office		Branches		Total	
During 1926:						
At the Head Office Bran. were deb. with	149,883,494 77		— —		—	—
„ „ Bran. the Head Office was cred. with	— —		149,473,094 07		—	—
	184,630,599 60		184,220,198 90		—	—
During 1926:						
At the Head Office Bran. were cred. with	150,277,340 99		— —		—	—
„ „ Bran. the Head Office was deb. „	— —		149,866,940 29		—	—
Balance on January 1, 1927:						
At the Head Office Bran. were debit. with	34,353,258 61		— —		—	—
„ „ Bran. the Head Office was cred. „	— —		34,353,258 61		—	—
XLI. Guarantees.						
Balance on January 1, 1926	167,843 19		— —		167,843	19
Guarantees given in 1926	766,189 43		450 —		766,639	43
	934,032 62		450 —		934,482	62
Guarantees expired in 1926	677,814 41		— —		677,814	41
Balance on January 1, 1927	256,218 21		450 —		256,668	21
XLII. Various Persons & Institutions.						
Balance on January 1, 1926:						
The Head Office was debited with .	922,103 45		— —		—	—
„ Branches were credited with . .	— —		221,932 20		—	—
During 1926:						
The Head Office was debited with .	10,585,579 83		— —		—	—
„ Branches were credited „ .	— —		43,086,368 42		—	—
	11,507,683 28		43,308,300 62		—	—
During 1926:						
The Head Office was credited with .	10,187,184 28		— —		—	—
„ Branches were debited „ .	— —		43,085,830 01		—	—
Balance on January 1, 1927:						
The Head Office was debited with .	1,320,499 —		— —		—	—
„ Branches were credited „ .	— —		222,470 61		—	—

	Head office		Branches		Total	
XLIII. Transitory sums.						
Balance on January 1, 1926:						
The Head Office was credited with .	1,918,700 57		— —		—	—
„ Branches were debited with . .	— —		27,526 88		—	—
During 1926:						
The Head Office was credited with .	189,894,301 42		— —		—	—
„ Branches were debited with . .	— —		4,579,165 87		—	—
During 1926:						
The Head Office was debited with .	182,742,511 40		— —		—	—
„ Branches were credited with . .	— —		4,741,349 56		—	—
Balance on January 1, 1927	9,070,490 59		134,656 81		9,205,147	40
XLIV. Interest received in advance.						
Received in 1926	527,254 12		207,500 99		734,755	11
Repaid in 1926	103 26		23 18		126	44
Balance on January 1, 1927	527,150 86		207,477 81		734,628	67
XLV. Government taxes and duties.						
Received in 1924	85,982 01		12,594 30		98,576	31
Transferred to Revenue	85,982 01		12,594 30		98,576	31
Balance on January 1, 1927	— —		— —		—	—
XLVI. Various Securities Committers Account.						
Balance on January 1, 1926	98,621,499 51		54,425,234 55		153,046,734	06
Received securities in 1926	185,558,738 50		70,950,175 79		256,508,914	29
	284,180,238 01		125,375,410 34		409,555,648	35
Paid out „ „ 1926	160,705,483 10		72,319,239 22		233,024,722	32
Balance on January 1, 1927	123,474,754 91		53,056,171 12		176,530,926	03
XLVII. Transitory Sums Committers a/c.						
Balance on January 1, 1926	47,379,108 37		1,423,104 35		48,802,212	72
Entered in 1926	35,014,122 09		6,267,549 09		41,281,671	18
Transport	82,393,230 46		7,690,653 44		90,083,883	90

	Head office		Branches		Total	
Transport	82,393,230	46	7,690,653	44	90,083,883	90
Paid out in 1926	57,265,977	52	2,163,324	82	59,429,302	34
Balance on January 1, 1927	25,127,252	94	5,527,328	62	30,654,581	56
XLVIII. State Accounts.						
a) Expenditure:						
Balance on January 1, 1926	102,405,980	98	—	—	102,405,980	98
Expenditure during the year	156,694,524	50	1,792,018	42	158,486,542	92
	259,100,505	48	1,792,018	42	260,892,523	90
Refunded and transferred in 1926 . .	148,610,661	50	1,792,018	42	150,402,679	92
Balance on January 1, 1927	110,489,843	98	—	—	110,489,843	98
b) Revenue:						
Balance on January 1, 1926	104,893,037	16	—	—	104,893,037	16
Received in 1926	214,366,476	87	21,152,246	86	235,518,723	73
	319,259,514	03	21,152,246	86	340,411,760	89
Refunded and transferred in 1926 . .	204,929,712	26	21,152,246	86	226,081,959	12
Balance on January 1, 1927	114,329,801	77	—	—	114,329,801	77
c) Deposits and special resources:						
Balance on January 1, 1926	70,886,613	02	1,472,339	71	72,358,952	73
Entered during the year	108,101,343	54	2,014,236	42	110,115,579	96
	178,987,956	56	3,486,576	13	182,474,532	69
Paid out „ „ „	103,715,925	42	1,934,821	99	105,650,747	41
Balance on January 1, 1927	75,272,031	14	1,551,754	14	76,823,785	28

PROFIT AND LOSS ACCOUNT

1926.

Debit. **Profit and**

	Head office		Branches		Total	
Paid :						
Interest on fixed deposits	299,371	60	12,421	10	311,792	70
„ „ net demand deposits	90,337	36	91,548	21	181,885	57
„ „ current accounts	1.085,019	91	146,894	23	1.231,914	14
„ „ „ „ in foreign curr.	211,998	20	35	80	212,034	—
„ „ „ „ of correspond.	107,899	89	—	—	107,899	89
Current expenditure:						
Fees to the members of the Council	64,754	43	—	—	64,754	43
„ „ „ Administration	78,603	33	—	—	78,603	33
Salaries to Officials and servants	782,514	85	639,682	14	1,422,196	99
Compens. to officials for spec. servic. and fees to members of the Disc. Committ.	11,000	—	20,021	—	31,021	—
Stationery	117,362	84	16,589	25	133,952	09
Administrative and travelling expenses	58,049	49	18,403	48	76,452	97
Compensations in connect. with appointments and transfers	17,047	81	8,723	59	25,771	40
Household expenses	77,795	93	79,097	80	156,893	73
Printing and issue of lat notes	63,512	06	—	—	63,512	06
Wear and tear of furniture, fixtures and real estate, written off	27,751	35	41,432	33	69,183	68
Loss on foreign current accounts	—	—	70	39	70	39
Loss on protested bills, term. loans, spec. current a/c. and loans on goods	4,943,323	48	538,639	34	5,481,962	82
Loss on sundries	2,525	48	1,376	28	3,901	76
	8,038,868	01	1,614,934	94	9,653,802	95
Total net profit	2,265,358	33	1,488,125	02	3,753,483	35
	10,304,226	34	3,103,059	96	13,407,286	30

Loss Account. *Credit.*

	Head office		Branches		Total	
Received:						
Interest on discounted bills	3,365,491	51	1,146,657	57	4,512,149	08
„ „ spec. current a/c.	2,636,882	49	1,545,679	03	4,182,561	52
„ „ terminated loans	1,004,371	79	94,346	62	1,098,718	41
„ „ loans on goods	564,179	88	14,080	01	578,259	89
„ „ a/c. of correspondents	684,724	87	—	—	684,724	87
„ „ sundries	5,045	02	8,780	61	13,825	63
Commission on transact. in foreign curr.	29,127	34	14,964	23	44,091	57
„ on discounted bills	47,822	13	37,181	10	85,003	23
„ „ spec. current a/c.	106,078	39	54,333	74	160,412	13
„ „ terminated loans	249,027	70	5,136	95	254,164	65
„ „ commercial credits	50,327	50	5,776	53	56,104	03
„ „ collections	60,906	31	25,792	73	86,699	04
„ „ inward transfers	3,324	65	4,933	68	8,258	33
„ „ outward „	6,992	88	273	88	7,266	76
„ „ warrants and sundries	182,967	63	47,497	67	230,465	30
Profit on gold specie	4,436	64	1,122	63	5,559	27
„ „ silver „	1,107	71	878	20	1,985	91
„ „ foreign currency and drafts	148,784	20	8,755	58	157,539	78
„ „ „ „ with corresp.	923,797	59	—	—	923,797	59
„ „ current a/c. in foreign currency	12,417	59	—	—	12,417	59
„ „ bonds	8,540	73	2,806	01	11,346	74
„ „ bad debts recovered	207,132	60	69,940	34	277,072	94
„ „ sundries	739	19	14,122	85	14,862	04
	10,304,226	34	3,103,059	96	13,407,286	30

BALANCE SHEET

31st DECEMBER, 1926.

(IN LATS.)

Assets. **Balance sheet**

Accounts	Head office	Branches	Total
Cash	8,730,422 56	8,921,343 84	17,651,766 40
Gold specie	1,002,506 97	12,382 54	1,014,889 51
Silver „	9,167 03	3,730 49	12,897 52
Bullion	7,869,752 02	— —	7,869,752 02
„ deposited by the Exchequer	14,732,890 75	— —	14,732,890 75
Foreign currency	77,967 78	82,353 28	160,321 06
„ drafts	— —	469 98	469 98
„ „ with correspondents	9,348,346 15	103 80	9,348,449 95
Postal cheques	515,093 08	350,857 42	865,950 50
Bonds	110,498 —	19,982 —	130,480 —
Discounted bills	37,907,872 89	14,380,703 13	52,288,576 02
„ „ with correspondents	262,323 72	897,277 83	1,159,601 55
Spec. curr. a/c. secured by bills	10,075,775 14	7,827,526 24	17,903,301 38
„ „ „ by bonds & other oblig.	10,273,305 78	672,750 70	10,946,056 48
„ „ „ „ agric. & ind. plant	3,831,865 73	4,804,048 39	8,635,914 12
„ „ „ „ goods	11,502,514 48	5,439,169 59	16,941,684 07
„ „ „ „ documents	1,090,262 99	341,839 03	1,432,102 02
Terminat. loans ag. bonds & other oblig.	9,457,304 25	499,222 84	9,956,527 09
„ „ „ agric. & ind. plant.	1,185,670 92	380,946 16	1,566,617 08
„ „ „ goods	99,850 —	33,726 83	133,576 83
Commercial credits	4,159,601 82	31,155 97	4,190,757 79
Correspondents a/c. "Nostro"	21,270,266 17	— —	21,270,266 17
Bills for collection	2,312,720 14	2,049,685 78	4,362,405 92
Documents for collection	930,518 72	75,726 55	1,006,245 27
Bills with correspondents	800,911 93	138,361 94	939,273 87
Documents with correspondents	141,837 48	355,251 34	497,088 82
Inventory	201,389 60	125,254 39	326,643 99
Real property	— —	235,756 90	235,756 90
Dubious claims	1,293 —	276 —	1,569 —
Transitory values	25,127,252 94	5,527,328 62	30,654,581 56
Disbursements to be refunded	4,603 73	2,426 14	7,029 87
Spec. curr. a/c. secured	55,914,754 31	29,368,696 63	85,283,450 94
„ „ „ sec. by bills bear. two sign.	14,076,299 71	8,840,708 46	22,917,008 17
Secur. for adv. warrant. & loans on goods	14,426,848 58	47,250 11	14,474,098 69
Bills deposited	39,056,852 31	14,799,515 92	53,856,368 23
Delivered warrants debtors	256,218 21	450 —	256,668 21
Branches	34,353,258 61	— —	34,353,258 61
Various persons and institutions	1,320,499 —	— —	1,320,499 —
State expenditure	110,489,843 98	— —	110,489,843 98
	452,928,360 48	106,266,278 84	559,194,639 32

Chief Accountant: (sig.) *E. Lacis.*

1st January 1927. *Liabilities.*

Accounts	Head office		Branches		Total	
Capital fully paid up	13,446,905	58	—	—	13,446,905	58
Reserve funds	2,236,778	67	—	—	2,236,778	67
The Bank's active operat. security fund	2,500,000	—	—	—	2,500,000	—
Banknotes issued	31,475,700	—	—	—	31,475,700	—
Deposits terminated	10,395,268	13	230,743	18	10,626,011	31
„ unterminated	2,132,253	85	2,178,503	63	4,310,757	48
„ „ not bearing interest	—	—	16,017	79	16,017	79
Current accounts	22,458,097	77	5,389,322	—	27,847,419	77
„ „ not bearing interest	3,599,838	96	669,709	05	4,269,548	01
„ „ in foreign currency	5,288,442	08	59,103	95	5,347,546	03
Inland transfers not paid out	114	99	343	—	457	99
Outward „ „ „ „	8,158	01	1.336	18	9,494	19
Inland payments ordered	3,983	15	48,606	73	52,589	88
Outward „ „	9,230	51	—	—	9,230	51
Correspondents a/c. "Loro"	3,376,416	74	—	—	3,376,416	74
Head Office a/c.	—	—	34,353,258	61	34,353,258	61
Delivered warrants	256,218	21	450	—	256,668	21
Collection creditors	4,185,988	27	2,619,025	61	6,805,013	88
Various persons & instit. a/c.	—	—	222,470	61	222,470	61
Transitory sums	9,070,490	59	134,656	81	9.205,147	40
Interest received in advance	527,150	86	207,477	81	734,628	67
Various securities from committers	123,474,754	91	53,056,171	12	176,530,926	03
Transitory values committers	25,127,252	94	5,527,328	62	30,654,581	56
Exchequer	114,329,801	77	—	—	114,329,801	77
Govts deposits & spec. funds	75,272,031	14	1,551,754	14	76,823,785	28
Profit and Loss	3,753,483	35	—	—	3,753,483	35
	452,928,360	48	106,266,278	84	559,194,639	32

Director General: (sig.): *K. Vanags.* Deputy Director General: *V. Bandrevičs.*
Directors: *E. Ozoliņš, J. Stalbovs, St. Kambala.*

Inference of the Auditing Committee of the Latvijas Banka.

The Auditing Committee, having examined the Report of the Bank for the year 1926, and verified the balance sheet which is footed with Lats 559,194,639·32 on January 1st, 1927, as also the profit and loss account showing a net profit of Lats 7,150,641·68, has found the above mentioned Report, balance sheet and profit and loss account, to be correct and in conformity with the entries in the books.

Extract of the Minutes re-Meeting of the Council of the Latvijas Banka on April 29, 1927. No. 444.

The Director General reads the report of the Auditing Committee regarding the control of the Bank's activities, and the verification of its balance sheet with Lats 559,194,639·32 on January 1st, 1927, and profit and loss account showing a net profit of Lats 7,150,641·68, which were found correct and in accordance with the entries in the books.

The Council decides to confirm the Report for 1926.

Agriculture.

Latvian agriculture is growing more intensive from year to year, despite the shortage of capital and hands, which prevents us from achieving the maximal yield possible in more favourable circumstances. One hectare of our soil yields one-third or one-half of the volume of produce registered in other countries, where cultivation is more intensive. Formerly, more attention was paid to the cultivation of cereals, but now this branch is less remunerative, owing to the immense quantities of cheap corn produced in the United States of America, Canada, Argentine and Australia, which satisfy the demand of the whole world. Consequently, Latvian farmers are more and more restricting the cultivation of cereals to the satisfying of their own requirements, and adopting other specialities. There has been a marked increase lately in the production of butter, bacon and cereals. The future of our agriculture depends on the increased production of cereals and the development of dairying. It is therefore the duty of the farmers and of the State to adopt every possible means of augmenting agricultural productivity.

Already in the autumn of 1925, agricultural prospects for the year 1926 were obviously unfavourable. Owing to bad climatic conditions, the farmers refrained from increasing the cultivated area, but even diminished the same in respect of certain cereals. On the whole, the general area of corn-fields was almost the same as in the preceding year.

Cultivated Area in Latvia (in thousands of hectares).

	Rye	Wheat	Barley	Oats	Mixed corn	Peas	Potatoes	Flax
1909—13 . . .	350·7	32·6	191·0	305·9	—	23·3	79·6	69·6
1920	196·7	15·7	123·8	215·6	46·3	20·1	49·2	30·5
1921	226·8	18·6	146·1	251·6	47·4	27·4	58·9	34·1
1922	236·3	28·5	156·7	273·4	47·3	33·1	69·1	37·7
1923	266·5	42·8	178·3	309·3	74·5	37·1	79·5	56·5
1924	266·1	43·0	179·1	334·3	77·0	38·7	74·9	60·5
1925	266·5	48·1	176·6	329·6	56·9	38·5	79·1	78·1
1926	251·3	49·5	190·3	320·8	66·2	38·2	82·1	63·8
	In % compared with the level of 1909—1913							
1926	71·8	151·7	99·6	104·8	—	164·0	86·2	208·5

This table shows that the cultivation of rye is the least developed, in comparison with the pre-war acreage. No tendency towards development was shown in the past three years. Evidently, in prevailing conditions, the farmers do not consider it profitable to increase the acreage of their rye-fields. On the other hand,

the cultivation of wheat has presented a favourable tendency since the war. The wheat acreage has increased from year to year, and surpassed the pre-war level by 51·7% in 1926. This rapid development is due to the import duty of 6 centimes per kilogram of wheat, and the rise of wheat prices in the world market, consequent on the deficient export of Russian wheat in post-war years.

Fairly good development is also registered in the cultivation of barley, which rendered results in 1926 almost equal to the pre-war level. The oats acreage exceeded the pre-war level already in 1923, but having attained the maximum in 1924, it diminished again. Nevertheless, our oat-fields in 1926 were 4·8% in excess of the pre-war acreage. The area cultivated with peas surpassed the pre-war level by 64%. This development may be ascribed to the import duty of 6 centimes per kilogram of peas. The potato fields, however, present only 82·1% of the pre-war acreage. As flax fetched a high price in the world market in the first post-war years, its cultivation in Latvia increased steadily up to the year 1925, when it amounted to about 126% of the pre-war extent. But as prices declined from year to year, and as the operative expenses left but a small margin of profit, the area cultivated with flax shrunk markedly in 1926, when it was about 92% of the pre-war extent. Flax prices have improved considerably of late, and it may therefore be assumed that there will be no further diminution of the flax area in Latvia, though at the same time a growth of acreage is improbable.

As was expected, owing to unfavourable climatic conditions, the harvest rendered unsatisfactory results in 1926.

Value of produce (lats, in millions).

	Rye	Wheat	Barley	Oats	Peas	Potatoes	Flax	Linseed	Total	Index
1913	58·0	9·3	36·2	54·7	6·5	38·7	26·9	6·0	236·3	100·0
1921	66·7	7·9	29·5	38·7	6·4	34·5	11·7	4·0	199·5	84·43
1922	34·5	7·2	21·2	37·2	5·7	24·4	31·2	4·4	165·8	70·16
1923	51·8	12·7	22·7	40·9	4·2	35·6	28·8	5·7	202·6	85·73
1924	63·7	15·2	37·3	55·3	10·1	46·3	38·7	10·1	276·6	117·08
1925	73·2	19·1	38·8	66·1	11·6	67·5	53·4	9·8	339·4	143·66
1926	39·0	16·7	38·5	54·1	12·9	81·1	32·7	8·1	283·1	119·80
In %% compared with the level of 1913										
1926	68·6	179·6	106·4	98·9	198·5	209·6	121·6	135·0	—	—

The above table shows that never, since 1920, has the yield of rye been so bad as in the past year, though good years were always followed by less satisfactory ones. The yield of rye last year did not exceed two-thirds of the pre-war level. Ordinarily, the situation of wheat crops is similar to that of rye, but in 1926 the yield of wheat was not altogether unsatisfactory. The crop of winter wheat attained 81·7% of the ordinary pre-war level, while that of summer wheat surpassed the pre-war level by 11·5%. Barley rendered 109·5% of the pre-war

average, but oats only 94·5% of the average pre-war result. The yield of flax and linseed (91·5% and 106% respectively of the pre-war level) was sufficiently high. Potatoes rendered the best results registered since the war, having surpassed the pre-war level by 59·3%. In comparison with the prolific year 1925, it may be said that improved results were rendered by potatoes, flax and linseed only.

Latvian Harvest (metric tons in thousands).

	Rye	Wheat	Barley	Oats	Mixed corn	Peas	Potatoes	Flax	Linseed
1909—13 . .	325	38	173	279	—	18	639	30	25
1920	119	11	67	113	29	13	375	10	11
1921	249	21	141	244	51	27	674	14	16
1922	174	26	147	264	53	31	675	17	14
1923	274	45	131	238	66	21	578	19	16
1924	199	43	162	271	76	35	676	26	25
1925	315	59	178	304	63	39	750	30	28
1926	155	51	189	276	68	35	1,013	25	25
In %% compared with the level of 1909—1913									
1926	48	134	109	99	—	194	159	83	100

The aggregate yield of cereals in 1926 was much less than in 1925, with the exception of potatoes, barley and mixed corn. Nevertheless, it surpassed the aggregate yields in all the other post-war years, and also the average pre-war yield. As is evident from the above mentioned results, this is due more to increased acreage than to augmented productivity. Rye yielded the smallest harvest since 1920, amounting to only 48% of the pre-war yield, while wheat rendered 134% of the average pre-war result, barley 109%, oats 99%, peas 194%, potatoes 159%, flax 83% and linseed 100%.

Based on prices quoted in October 1926, the total value of our agricultural produce was as follows:

Yield per hectare (in quintals).

	Rye	Winter wheat	Summer wheat	Barley	Oats	Mixed corn	Peas	Potatoes	Flax	Linseed
1909—13 . .	9·29	12·35	8·33	9·05	9·12	—	7·70	80·25	4·34	3·65
1920	6·08	6·69	—	5·37	5·24	6·08	6·61	76·16	3·13	3·45
1921	11·56	11·48	—	10·02	9·69	10·41	10·64	100·05	4·08	4·05
1922	7·35	9·15	—	9·40	9·64	11·61	9·36	97·75	4·51	3·79
1923	10·50	12·90	8·64	7·50	7·80	9·00	5·70	73·80	3·40	2·90
1924	7·50	10·60	9·47	9·00	8·10	9·80	9·10	90·20	4·30	4·10
1925	11·88	14·22	10·24	10·07	9·22	11·16	10·25	94·86	3·85	3·58
1926	6·19	10·79	9·29	9·91	8·60	10·28	9·11	123·14	3·97	3·87
In %% compared with the results in 1909—1913										
1926	66·6	87·7	111·5	109·5	94·5	—	118·3	153·9	91·5	106·0

Thus we observe that the total value of produce was not small in 1926. It exceeded the average pre-war level, and was surpassed only by the results registered in 1925. But this pleasant picture is framed only in absolute numbers. However, taking into consideration the increased cost of living, we are forced to the conclusion that the farmers derived greater benefit from the disposal of their produce in 1913 than they did in 1926. In comparison with the preceding year, the value of production was less in 1926 in all items except potatoes and peas. In comparison with 1913, the nominal value of produce was greater, except in regard to rye and oats.

Stock farming and its main branch, — dairying rendered far better results in 1926 than ever before. The number of dairy farms increased from 548 in 1925 to 690 in 1926, and the export of butter from 7124 tons in 1925 to 10,131 tons in 1926. It is regrettable, however, that the harvest of hay and clover was even worse than that of cereals, and this is naturally detrimental to the further development of cattle breeding, pending the new harvest. There has been a steady increase of livestock in recent years, and the numbers registered in 1926 had already exceeded the pre-war level.

Number of livestock in Latvia (in thousands).

	Horses	In %/% compared with 1913	Cattle	In %/% compared with 1913	Sheep	In %/% compared with 1913	Pigs	In %/% compared with 1913
1913 . . .	320·0	100·0	912·0	100·0	996·0	100·0	557·0	100·0
1920 . . .	261·0	81·6	768·0	84·2	978·0	98·2	481·0	86·4
1921 . . .	282·5	88·3	799·5	87·7	1,132·0	113·7	482·0	86·5
1922 . . .	303·0	94·7	810·5	88·8	1,161·5	116·7	402·0	72·2
1923 . . .	341·2	106·6	910·9	99·9	1,488·2	149·6	487·3	87·5
1924 . . .	340·2	106·25	905·0	99·2	1,235·0	124·0	458·0	82·2
1925 . . .	351·9	110·0	915·8	100·4	1,181·6	118·6	497·1	90·0
1926 . . .	365·0	114·1	955·0	104·7	1,152·0	115·7	521·0	93·5

The number of head of cattle and horses increased considerably in 1926, as against all the preceding years, including the pre-war period. On the other hand, the number of sheep has been decreasing steadily since 1923, which is a normal feature, as large flocks of sheep generally testify to the slow development of agriculture, the progress of which leads to the diminution of flocks. There was an increase in the number of pigs, though the pre-war level was not reached. The satisfactory results achieved in the exportation of bacon lends an impetus to pig-breeding, which is promoted by the present rational system of dairying. Skimmilk is returned to the farms and utilized as food for pigs. Towards the close of last year, it became evident that, in consequence of the poor harvest of provender and the lack of money, many farmers would be obliged to reduce the number of their livestock.

The crops of corn harvested in Latvia do not suffice for home consumption. Large quantities must therefore be imported every year. In the past six years,

the harvest and the imports minus exports of wheat and rye, presented an aggregate consumption as follows:

Rye (in thousands of tons).

Year	Harvest	Imports minus exports	Total
1921	249,1	8,4	257,5
1922	173,9	10,6	184,5
1923	273,6	34,6	308,2
1924	199,4	55,4	254,9
1925	315,1	67,1	382,2
1926	155,4	49,6	205,0

The average annual consumption of corn during the past six years totalled 265,400 tons. This proves that it is not necessary to import rye in good years. Latvia often imported more rye than was necessary for local consumption. These imports involved a sum of 12 million lats in 1924, 18·8 millions in 1925 and 11·2 millions in 1926, which expenditure is unnecessary, as we are able to produce enough rye for our needs. Consequently, the farmers' organizations suggest limiting the import of rye by means of a moderate import duty on this commodity. This would promote the inland production, as has already been achieved in respect of wheat.

Wheat (in thousands of tons).

Year	Harvest	Imports minus exports		Total (Plus 10% milling differ. added to flour)
		Grain	Flour	
1921	21·3	1·8	10·1	34·2
1922	26·1	11·4	8·6	47·0
1923	44·7	31·8	5·1	82·1
1924	43·1	51·7	0·5	95·3
1925	58·9	48·1	— 0·6	106·3
1926	50·6	42·5	— 0·2	92·9

The growing consumption of wheat as revealed in the above table may be attributed to the general increase of the level of expenditure for consumption purposes. At the same time, the yield of wheat has been constantly increasing, except in the less favourable year 1926. On the other hand, the import of wheat has decreased lately.

Industry.

In the sphere of industry as in the other branches of our economic life the process of development has become normal and more gradual than before. Undertakings with insufficient means, inadequate equipment and faulty management cannot exist on a normal, low percentage of profit. The same applies to enterprises established with an eye to the Russian market. These are exceptional cases, however, for the well organized industries on the one hand, and the crafts on the other are operating successfully in general. In consequence of the limited market and other prevailing conditions, progress is necessarily slow, though steady, as is evident from the following table of undertakings, hands employed and volume of output in recent years:

Branches of industry	Number of enterprises				Number of hands				Produced goods			
	1922	1923	1924	1925	1922	1923	1924	1925	1922	1923	1924	1925
Textile industry	225	295	361	379	4,063	5,763	6,581	7,171	18,690	25,897	28,249	32,111
Paper & Polygraphic	109	114	139	142	3,763	4,304	5,100	4,974	10,800	18,658	21,468	26,063
Mechanical Wood-turning	352	201	274	313	6,313	8,975	9,550	8,850	18,000	39,035	45,729	40,136
Metal industry	184	215	278	302	6,282	7,723	9,120	9,431	20,000	30,296	30,370	32,724
Mineral industry	46	59	102	102	1,992	2,412	3,455	3,376	3,000	4,422	6,947	7,642
Animal products	78	91	97	113	1,359	1,859	2,051	2,361	9,256	14,268	16,193	21,482
Foodstuffs	799	901	1,161	1,280	5,282	6,281	8,373	8,501	44,928	57,948	66,173	80,605
Chemical industry	57	69	88	102	1,711	1,930	2,447	3,151	9,092	13,102	17,500	23,364
Sundries	56	87	98	106	1,062	1,367	1,457	2,090	1,920	10,953	10,730	11,794
Total	1,906	2,032	2,598	2,839	31,827	40,614	48,134	49,905	135,686	214,579	243,359	276,191

The increase in the number of undertakings is naturally of little import. It would be better to have a smaller number of enterprises in some branches, but large and well organized, instead of the numerous small and weak undertakings in existence at present. So far, however, there are no indications of industrial combination. There were 2839 industrial undertakings in Latvia in the year 1925, as against only 782 (excluding some of the small enterprises) in 1910. On the other hand, the number of industrial workers has decreased from 93,343 before the war to 49,905 at present. The average number of workers per enterprise was 119 in the year 1910; but only 14·8 in 1920; 16·7 in 1921, 16·7 in 1922, 20 in 1923, 18·5 in 1924 and 17·6 in 1925. Thus, the average number of workers per enterprise has been decreasing lately.

The greater part of our industry is concentrated in Riga, where we find about 59% of the total number of workers. Liepāja (Libau) ranks next with 9·5%. And less than a third of the total number is employed in the other towns and in the country.

Apart from the number of workers, the increased adoption of mechanical motive power testifies to the progress made in Latvian industry in recent years, as the following table shows:

Year	Mechanical motive power in general HP	Electro-motors in particular HP	Total HP
1921	59,146	11,218	70,364
1922	48,567	13,147	61,714
1923	64,185	18,379	82,564
1924	75,143	23,824	98,967
1925	98,602	36,344	134,946

Of the aggregate horsepower utilized in 1925, 76,797 hp was supplied by steam, and 8127 hp by water power.

The following is a summary of the different branches of our industry, each treated separately: —

1. Textile Industry. Both in respect of the number of workers and the aggregate value of its output, this branch ranks fourth in the list of Latvian industries. 379 enterprises were registered in 1925. They employed 5763 hands or about 60% of the pre-war number of employed hands. The average number of hands per undertaking was only 19. Mechanical motive power is but little adopted, 82 undertakings being entirely without such motive power, while the others utilize the same to a small extent only, presenting an average of only 33·2 hp per enterprise. On the whole, the textile industry has developed successfully and uninterruptedly, in keeping with post-war market conditions. The progress made in the different departments is revealed below:

Textile Industry.

Branches	Number of enterprises		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1925	Total	On head
Cotton spinning & weaving sheds	3	4	577	504	3,538	7·0
Wool carding, spinning & weaving sheds	159	150	2,361	2,083	8,748	4·2
Flax spinning & weaving sheds	7	9	975	997	5,737	5·7
Cotton & flax weaving mills	4	3	275	789	5,148	6·5
Wool & flax carding, spinning & weaving sheds	2	5	156	220	786	3·6
Flax preparing mills	10	21	139	249	192	7·7
Rope & twine works	11	14	203	240	583	2·8
Knitting works	24	29	410	531	2,733	5·1
Dye works & laundries	77	87	654	810	2,016	2·5
Clothing workshops	64	43	831	537	1,764	3·3
Sundries		14		211	868	4·1
Total	361	379	6,581	7,171	32,111	4·5

The value of output, as indicated above, should be regarded as the minimum, for, as a rule, the manufacturers are inclined to be reticent on this subject. However, although the value of the output of our textile industry is increasing steadily from year to year (18·7 million lats in 1922, 25·9 millions in 1923, 28·2 millions in

1924, and 32·1 millions in 1925), the local market still presents good possibilities of further development. Textiles were imported into Latvia in 1925 for a sum of 54·5 million lats, comprising chiefly cotton and woollen materials. In 1926, consequent on the increase of import duty, the import of these goods decreased slightly, but nevertheless involved a sum of 50·9 million lats. On the other hand, the export of our textiles has not been considerable: having rendered 2·4 million lats in 1925, and 2·9 millions in 1926. These exports consisted chiefly of flax yarn. But we export large quantities of raw materials for the textile industry: for 41·7 million lats in 1925, and for 38·9 millions in 1926. The import of such materials is not extensive: for the sum of 9·1 million lats in 1925, and for 8·7 millions in 1926. It is incumbent on us to promote this branch of local industry in every possible way, so as to stem the efflux of foreign currency in payment for imported textiles.

2. Paper and Allied Industries. This branch occupies the fifth place among the various branches of Latvian industry, in regard to the number of hands employed and the value of output. 142 undertakings were registered in 1925. They employed 4974 hands or about 96% of the pre-war level of employed hands. In the preceding year (1924) the number of hands employed was even a little larger. Thus, this branch of industry has recovered its pre-war size. There is also a more varied classification of enterprises in this branch than in others. The average number of hands per enterprise is 35. Mechanical motive power is utilized by 123 undertakings, and not adopted by 19 only. The power utilized averages 88·8 hp per enterprise. Although there was a slight decrease in the number of hands employed in 1925, the aggregate value of output increased considerably, viz., from 21·5 million lats in 1924 to 26·1 million lats in 1925. The paper and allied industries are concentrated mainly in and around Riga. Below is a classification of the various sections of our paper and polygraphic industry:

Paper & Polygraphic Industry.

Branches	Number of enterprises		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1922	Total	On head
Typography & lythography	84	89	2,335	2,249	10,634	4·7
Bookbinding offices	14	13	234	229	1,032	4·1
Paper mills	5	5	1,753	1,722	12,368	7·2
Cardboard & wood pulp factories	6	5	202	163	378	2·3
Cardboard works	12	12	392	405	587	1·4
Paper bag works	4	4	44	44	261	5·9
Tissue paper	10	8	68	60	472	7·9
Sundries	4	6	72	102	333	3·3
Total	139	142	5,100	4,974	26,063	5·2

Although the number of hands employed decreased, in comparison with the preceding year, this branch of industry shows increasing production. In the same, we export more than we import (exports rendered 6 million lats in 1926, while

imports involved only 3·3 millions). The exports comprise mainly paper. However, there has been no marked development of our paper export lately, due chiefly to keen competition in the world market. The imports cannot be reduced to any great extent, as they comprise mostly certain kinds of paper, small quantities of which are required, but the manufacture of which is not considered profitable in Latvia. Apart from these, Latvia imports only books from abroad.

3. Woodworking industry. In respect of hands employed and value of output this branch of Latvian industry has retrograded in recent years, as is evident from the following statistical data: 9550 hands were employed in 1924, when the output presented a value of 45·7 million lats, but in 1925 the number of workmen declined to 8850, and the value of production to 40·1 million lats. Complete data are not yet available for the year 1926, but the situation must be essentially worse, in consequence of the decline of prices in the world market and the absence of buyers which resulted from the miners strike in England, the country of the biggest buyers. The situation began to improve again only towards the close of the year.

The woodworking branch is one which will always be of great importance in Latvia, there being a copious supply of the necessary raw materials on the spot. In respect of hands employed and the value of output, this branch ranks second in the list of Latvian industries, even now, when conditions in general are hardly conducive to the development of this branch of industry. In 1925, it attained 78% of its pre-war level of hands employed. The export of timber materials ranks foremost in our general export list, and rendered 46·7 million lats in 1925 and 41·1 millions in 1926. The export of manufactured wooden goods has not developed to any marked extent, having rendered only 0·9 million lats in 1925 and one million lats in 1926. The import of wood materials for elaboration shows a slight increase from 1·4 million lats in 1925 to 2 millions in 1926, while the import of manufactured wooden goods declined from 518,000 lats in 1925 to 486,000 lats in 1926. With a view to derive larger profit from our wood supplies, it is necessary to encourage the woodworking industry, and to promote the export of veneer, boxboards, splints and other manufactured wooden goods.

The number of enterprises utilizing mechanical motive power is 288, as against 25, which do not. The average power per enterprise is 50·6 hp, and the average number of hands employed — 28.

Sawmills rank foremost in this branch of local industry. Their activity has diminished lately, in consequence of the unfavourable tide of the world market and the high operative expenditure. It may be observed too, that many enterprises of this branch had been established by persons who lacked the necessary expert knowledge and the requisite personal means. They went in for the business simply because they saw that, in the then favourable market conditions, others were deriving profit almost without any difficulty. However, after the sudden change in the world market, these sadly organized enterprises began to totter and fall. The veneer factories fill the second place in this branch. In general, they are working satisfactorily and increasing their activity, having found receptive foreign

Mechanical Wood Industry.

Branches	Number of enterprises		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1925	Total	On head
Saw mills	95	108	6,428	5,272	30,869	5·9
Joineries	114	119	1,402	991	2,186	2·2
Wood fashioning & wooden articles		23		275	806	2·9
Cork cutting factories	6	4	79	83	154	1·9
Wooden cases, tubs & barrels	10	11	153	339	1,153	3·4
Wooden toys	4	5	67	58	148	2·6
Wooden spigots	2	2	38	26	54	2·1
Wooden lasts for shoemakers	5	4	73	38	121	3·2
Splints for matches	4	5	266	339	1,007	3·0
Veneering factories	5	8	567	1,121	3,056	2·7
Sundries	29	24	477	308	583	1·9
Total	274	313	9,550	8,850	40,137	4·5

markets for their output. Similarly, the factories producing splints for matches, plywood and other wooden goods are progressing continuously.

4. Metal Industry. Up to the present, our metal industry has managed to recover only 37% of its pre-war number of employed hands, though its progress has been uninterrupted throughout the post-war years. This branch suffered considerably from the effects of war. For all the large pre-war factories were evacuated, and only a small part of the plant has been recovered from Russia, and even that in damaged condition. The limited Latvian market and the prohibitive nature of foreign import duties do not permit of a renewal of wholesale manufacture, as existed here before the war. Such an extensive metal industry cannot be reconstructed in independent Latvia, because in the past it was sustained artificially by means of protectionism. However, this does not imply that the metal industry cannot exist in Latvia at all. It may be developed by supporting particularly such branches as produce agricultural machines, implements, tools and other items which we import on a large scale, and on which no import duty is levied. We cannot relinquish the importation of various special machines, the manufacture of which is unprofitable in Latvia, but we may endeavour to reduce the import of metal goods in general. Ordinary metal goods were imported in 1925 for a sum of 29·6 million lats, and in 1926 for no less than 33·1 millions. On the other hand, the export of metal goods of Latvian manufacture, as agricultural machines, implements, nails etc., is comparatively small, having rendered 4 million lats in 1925, and only 2·6 millions in 1926.

In respect of the number of hands employed, this branch ranks foremost among Latvian industries (9120 hands in 1925, and 9431 in 1926), but occupies the third place in regard to the value of output (30·4 million lats in 1924, and 32·7 millions in 1926). The number of hands employed per enterprise averages 31. 274 undertakings utilize mechanical motive power, and only 28 do not. Mostly electro-motors are in use. The mechanical motive power per enterprise averages 79·3 hp.

Metal Industry.

Branches	Number of enterprises		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1925	Total	On head
Iron foundries & rolling works	1	1	786	856	3,564	4·2
Engineering works & transmission factories	9	8	525	360	1,248	3·5
Agricultural machinery & implements	122	149	1,523	2,096	6,839	3·3
Nail factories	6	6	129	102	1,010	9·9
Machine-factories & iron foundries	19	20	1,060	1,551	5,147	3·3
Ship-building & repairing	9	9	272	264	734	2·8
Railway & waggon repairing	8	7	3,520	2,758	10,088	3·6
Making of weights	4	5	79	101	259	2·6
Tin-smith's works	11	12	140	194	711	3·7
Key factories	2	1	284	114	324	2·8
Needle factories	2	1	90	68	222	3·3
Sundries	85	83	712	967	2,579	2·7
Total	278	302	9,120	9,431	32,724	3·5

5. Mineral Industry. In comparison with its pre-war extent, the mineral industry is very small in Latvia, having recovered only 28% of the pre-war level. There has been an indication of retrogression lately in respect of the number of hands employed: 3376 hands in 1925, as against 3455 in 1924. But the value of output increased from 6·0 million lats in 1924 to 7·6 millions in 1925. The number of hands employed averages 33 per enterprise. 59 undertakings utilize mechanical motive power, while 43 do not. The power utilized averages 43 hp per enterprise.

Mineral Industry.

Branches	Number of enterprises		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1925	Total	On head
Brick yards	39	46	622	861	1,551	1·8
Lime kilns	17	14	161	151	317	2·1
Cement factories	2	2	225	232	1,275	5·5
Potteries	8	9	173	173	383	2·2
Glass factories	10	7	1,655	1,329	2,673	2·0
Porcelain & pottery earthenware	1	1	375	387	657	1·7
Gypsum mills	2	3	25	34	157	4·6
Sundries	23	20	219	209	629	3·0
Total	102	102	3,455	3,376	7,643	2·2

Hitherto, glass factories ranked foremost in the branch of industrial activity, but their operations have not been altogether successful lately. An excessive number of such enterprises had been founded some years ago and, for a time, their export trade developed satisfactorily, but this soon came to an end. Furthermore, competition is keen in the local market between inland and foreign products, the more

so as the existing Customs tariff does not protect the local industry sufficiently. Consequently, the number of enterprises in this branch declined from 10 in 1924 to 7 in 1925, the number of hands employed from 1655 in 1924 to 1329 in 1925, and the value of exports from 214,000 lats in 1925 to 116,000 lats in 1926. On the other hand, Latvia imports glassware for one and a half million lats yearly, which is not normal, as we are well able to produce locally all our requirements of glassware, provided the industry is sufficiently protected. Conditions are somewhat better in regard to chinaware and faience goods, the import of which is decreasing, though it is not much less than the local production.

Such enterprises as cement factories, brick and lime kilns are developing gradually, in proportion to local building operations. It has not yet been possible to augment the export of building materials, especially bricks, but there are prospects of doing so.

6. Animal Products. This branch is progressing satisfactorily. 69% of the pre-war level was recovered in 1925, in respect of hands employed (2051 in 1924, and 2361 in 1925). The value of production increased from 16·2 million lats in 1924 to 21·5 millions in 1925. There is an average of 23 hands employed and of 35·8 hp per enterprise. Sixty-two factories utilize mechanical motive power, while 51 do not.

Animal Products Industry.

Branches	Number of enterprises		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1925	Total	On head
Tanneries	46	43	828	963	14,134	14·7
Shoe making	31	38	871	873	5,236	6·0
Leather belting factories	1	1	4	5	80	16·0
Saddler's workshops	4	3	44	37	183	4·9
Bone glue & bone meal works	4	7	169	161	962	6·0
Sundries	11	21	135	322	887	2·8
Total	97	113	2,051	2,361	21,483	9·3

The largest revenue is rendered by the tanneries (about two-thirds of the total). Considerable progress is being made in this section. Next in order are the footwear factories and workshops utilizing mechanical motive power. Large sums are spent on imported leather goods. However, this import declined from 3·4 million lats in 1924 to 2·9 millions in 1925. The export of leather goods has decreased more considerably (from 2·1 million lats in 1925 to 0·7 millions in 1926).

7. Foodstuffs and Delicacies. This is a unique branch of local industry, considering that the number of hands employed to-day is $5^1/_2$% more than the pre-war number (8063 in 1910, 8383 in 1924 and 8501 in 1925), and that the value of output increased from 66·2 million lats in 1924 to 80·6 millions in 1925. In the latter respect, this branch figures foremost, and in regard to the number of hands employed, it takes the third place among local industries. The number

of hands employed averages only 7 per enterprise, while in respect of mechanical motive power the average is 25·7 hp. 1210 undertakings of this branch utilize mechanical motive power, while 70 do not.

Industry of Foodstuffs.

Branches	Number of enterprises		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1925	Total	On head
Corn mills	741	758	2,476	2,226	5,688	2·6
Bakeries & confectioners	40	56	417	601	3,352	5·6
Macaroni factories	3	3	27	28	227	8·1
Dairies	107	175	424	544	19,630	36·3
Preserved food factories	14	10	564	198	2,244	11·3
Sausage makers	40	48	289	321	4,314	13·4
Starch-syrup & potato-flour works	16	24	150	195	1,293	6·6
Sweet factories	31	33	791	1,259	7,072	5·6
Coffee roasting establishments	16	13	57	52	505	9·7
Distilleries	47	46	703	729	5,187	7·1
Liqueur factories	11	10	98	81	1,693	2·1
Breweries & malt works	33	31	825	681	6,319	9·3
Mineral, fruit water & wines	24	31	182	230	1,115	4·8
Tobacco & cigarette factories	13	12	1,037	936	19,340	2·1
Salt works	3	4	28	32	34	1·1
Sundries	22	26	305	388	2,594	6·7
Total	1,161	1,280	8,373	8,501	80,606	9·5

Dairy farms are the biggest producers in this branch, and the export of butter is increasing from year to year. Tobacco and cigarette factories rank second. Although the number of hands employed in the latter factories has diminished slightly, work is more intensive, judging from the increasing import of raw tobacco. The number of working hands has been markedly increased in the sweetmeat factories, and to a smaller extent in bakeries and confectionery establishments. The number of hands has decreased in canning factories, breweries and corn mills. In 1926 the first sugar factory in Latvia was founded.

The various enterprises of this branch are working almost exclusively for the inland market, where they are furthered to a great extent by protective duties. Of the products of this branch, only butter has been exported in large quantities so far. The canning industry is but little developed, though it has good prospects as the market prices of fish are often very low.

8. Chemical Industry. Until recently, this was the least restored branch of Latvian industry. In 1925 it presented only 25% of the pre-war number of hands employed (2447 in 1924; 3151 in 1925). The situation is more satisfactory at present, when 1500 hands are employed in our rubber factories, as against only 920 in 1925. The value of chemical production increased from 17·5 million lats in 1924 to 23·4 millions in 1925. There is an average of 31 hands and 74·8 hp per enterprise. 75 factories utilize mechanical motive power, and 27 do not. The

export reveals some development in this branch, having increased from 9 million lats in 1925 to 16 millions in 1926, while the import has decreased somewhat, — from 25 million lats in 1925 to 23·4 millions in 1926.

Chemical Industry.

Branches	Number of enterprises		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1925	Total	On head
Soap factories	13	16	157	148	1,866	12·6
Varnish works	3	3	38	46	534	11·6
Colour works	9	9	91	88	590	6·7
Vegetable oil mills	15	13	222	240	5,824	24·3
Turpentine, wood-spirit and tar factories	5	3	55	68	273	4·0
Naphtha working factories	1	1	136	135	2,122	16·0
Linoleum factories	1	1	195	201	2,290	11·4
Rubber factories	2	4	229	920	2,894	3·1
Match factories	4	5	880	870	3,336	3·8
Gas factories	3	2	93	84	993	11·8
Candle works	5	3	52	25	482	19·3
Chem., techn., pharmaceut. & cosmetic. laborat.	27	21	299	193	1,619	8·4
Sundries		21		133	811	6·1
Total	88	102	2,447	3,151	23,635	7·5

The manufacture of rubber goods ranks foremost in this particular branch of local industry. The number of hands employed increased from 229 in 1924 to 920 in 1925 and 1500 at the present moment. The value of output amounted to 2·9 million lats in 1925, and must have been considerably larger in 1926, though the final statistical data for that year are not yet available. The export of rubber goods increased from 2·3 million lats in 1925 to 8·2 millions in 1926. Although our rubber industry is dependent on imported raw materials, it has succeeded in gaining ready access to foreign markets, by reason of cheap and efficient labour (workmen of the former "Provodnik" factory), and in consequence of the excellent quality of its goods. After having made phenominal progress in 1926, the rubber industry now remains in its attained limits and continues to work with success.

Among the other specialities of our chemical industry, the factories producing matches, linoleum and soap, as also the vegetable oil mills and naphtha refineries are of particular importance. The newly established superphosphate factory is also destined to play a significant part in this country. On the whole, our chemical industry offers prospects of further development, as it is possible to produce locally a large portion of the corresponding goods otherwise imported.

9. Miscellaneous enterprises. In regard to the number of hands employed (1457 in 1924, and 2090 in 1925) this group of industries attained 60% of its pre-war extent in 1925. The value of output is growing gradually: from 10·7 million lats in 1924 to 11·8 millions in 1925. There is an average of 20 hands employed, and of 512·6 hp mechanical motive power per undertaking. 71 enterprises utilize mechanical motive power. 35 do not. This group comprises the following specialities:

Various Enterprises.

Branches	Number of industries		Number of hands		Value of the produce 1925 (in thousand lats)	
	1924	1925	1924	1925	Total	On head
Electric power works	43	44	530	582	7.551	13·0
Water-works	3	3	85	91	1.548	17·0
Peat-cutting works	3	3	91	285	112	4·0
Amber industry	4	4	33	30	72	24·0
Building enterprises	45	22	718	619	2.001	3·2
Sundries		30		483	512	1·1
Total	98	106	1,457	2,090	11,795	5·5

Complete statistical data for 1926 are available at present only in respect of such industrial branches as operate under Government control.

The spirit distilleries produced 37·6 million degrees of spirit in 1926, as against 25·6 million degrees in 1925. Thus, in the course of one year, this important branch of industry, which embraced 41 enterprises on January 1, 1927, has augmented its output by 47%.

Great progress was also made in the tobacco and cigarette industry in 1926, when the output comprised 538,000 kilograms of tobacco, 1111 million cigarettes and 2·2 million cigars, as against 523,000, 1018 millions and 2·3 millions respectively in 1925. This branch numbers 12 enterprises.

The ten factories making tissue cartridges for cigarettes produced 300 millions of these, as against 321 millions in 1925, but paid Excise to the extent of 295,000 lats, as against 257,000 lats in the preceding year.

The match factories, five altogether, lowered their production somewhat in 1926 (178 million boxes, as against 186 millions in 1925). The amount of Excise paid also declined from 668,000 lats in 1925 to 648,000 lats in 1926. Considering that the export of matches did not decrease, but rather increased to 1,718,000 kilograms in 1926, as against 1,587,000 kilograms in 1925, and as the local consumption could not have declined, it appears that old stocks were disposed of.

The output of the naphtha refining industry increased by more than 100%, compared with the preceding year, i. e., from 5132 tons of naphtha products in 1925 to 10,875 tons in 1926.

The number of liqueur factories decreased considerably: 17 factories were in operation in 1926, as against 26 in the preceding year. The value of output fell from 235 to 202 thousand pails.

The number of breweries also decreased from 42 to 29, and the amount of Excise paid from 1950 to 1751 thousand lats. On the other hand, the fruit and berry wine establishments, 68 altogether, as against 63 in the preceding year, raised their output from 542,000 litres in 1925 to 633,000 litres in 1926.

Fruit and mineral water factories increased their output from 4076 thousand litres in 1925 to 4837 thousands in 1926, though the number of these undertakings fell from 130 to 102 in the same period.

Our two yeast factories produced 384,000 kilograms of yeast in 1926, as against 304,000 kilograms in the preceding year.

New Enterprises. Several new enterprises started work in 1926, as the following table shows:

New Enterprises

	Number of enterprises	Number of hands	Motor power HP	Electromotors HP
1. **Textile industry**	69	350	110	60
2. Paper & Polygraphic industry	25	120	50	60
3. Mechanical Wood industry	77	420	320	100
4. Metal industry	57	260	100	320
5. Mineral industry	22	100	50	50
6. Animal products	34	150	50	60
7. Foodstuffs	268	450	610	250
8. Chemical industry	50	200	100	100
9. Sundries	15	50	10	100
Total	617	2,100	1,400	1,100

Although the number of newly established undertakings is very large, it does not imply great industrial progress, as the new enterprises are mostly small workshops for local requirements. There are very few important undertakings in this category. On the other hand, some of the small enterprises were liquidated during the past year.

Labour Market.

Attendant on the continued successful development of our industry in 1926, there was an increase in the number of workers employed and in the level of the wages paid to them, while the official index figure of the cost of living declined somewhat, so that the situation of the working people was improved to some extent.

The average level of wages per 8-hour work-day in Riga in December 1926 was as follows: master-workmen earned Ls 9·03 (as against Ls 8·68 a year ago); qualified workers in general Ls 5·63; in particular: mechanics Ls 7·48 (8·04 a year ago), bricklayers Ls 6·08 (5·22), fitters Ls 5·66 (5·21), joiners Ls 5·34 (4·92), electricians Ls 5·19 (4·48), machinists Ls 5·13 (4·65), coopers Ls 5·13 (4·58), smiths Ls 4·69 (4·42), turners Ls 4·56 (4·31), locksmiths Ls 4·31 (4·06), dyers Ls 4·31, braziers Ls 4·12, and so forth. Qualified workwomen earned Ls 2·71; labourers Ls 3·23 (3·11); unqualified workwomen Ls 1·95 (1·95); watchmen Ls 2·47, minors Ls 1·91,. apprentices Ls 1·89. Women and minors are paid much less than men, except in some branches.

It is evident that the average level of wages improved during the past year. By March 1926 it had increased by 9·4% for qualified workers, and by December of that year the increase amounted to 15·7%. In regard to labourers the increase amounted to 5·5% in March 1926, and to 10·2% in December.

Cost of Living. Data covering all items of expenditure are not available at present, except in regard to such items as food, dwelling, heating and lighting. In estimating the cost of food, the Board of Statistics adopts Professor Sarin's theoretical minimal ration (3024 calories daily for a medium worker) as the average level.

In 1925 and in 1926 the absolute and relative cost of this ration fluctuated as follows:

Month	Price in centimes		Compared with July, 1914 = 100	
	1925	1926	1925	1926
January	96·20	95·37	131	129
February	99·62	95·65	136	130
March	101·43	95·50	138	129
April	96·05	94·28	131	128
May	99·86	98·88	136	134
June	97·63	98·66	133	134
July	101·35	92·61	138	126
August	95·31	87·85	130	119
September	91·60	92·80	125	126
October	88·77	91·07	121	123
November	91·40	90·61	125	123
December	93·44	95·30	127	129

Food, dwelling, heating and lighting for a family of five persons cost in December, 1926, Ls 126·74 according to the German method, which is also

adapted to Latvian conditions. According to this computation, the absolute and relative figures for these four items of expenditure were in 1925 and 1926 as follows:

Month	Price in lats		Compared with July, 1914 = 100	
	1925	1926	1925	1926
January	129·30	132·55	108	110
February	130·07	132·44	108	110
March	133·84	132·07	112	110
April	130·09	130·80	108	109
May	134·79	132·75	112	111
June	133·31	132·58	111	110
July	137·06	132·18	114	110
August	131·18	126·59	109	105
September	127·84	121·55	107	101
October	126·90	121·15	106	101
November	127·56	120·02	106	100
December	129·19	126·74	108	106

In 1925 the average index figure reached 109; in 1926 — only 107. The index figure of retail prices fell from 139 in 1925 to 134 in 1926, which also testifies to the lower cost of living. It is noteworthy that, at present, Latvia is one of the cheapest countries in Europe.

The situation of the working people in Riga (their actual income) in July 1926, as compared with the average situation of industrial workers in some foreign countries, according to the statistical data of the international Labour Office, was as follows: in Riga 100 (as norm), Tallinn 84, Prague 88, Brussels 88, Rome 94, Warsaw 94, Lodz 96, Milan 98, Vienna 100, Berlin 132, Stockholm 172, Amsterdam 182, London 200, Dublin 216, Copenhagen 224, Sydney 262, Ottave (Canada) 296, Philadelphia 334. Thus, Latvian workers are slightly better off than the workers in some European industrial centres. Nevertheless, the situation is not satisfactory, because a worker who has a wife and say three children, cannot support his family on the average wage obtainable in Riga. Either his wife or the children must contribute to the family's earnings so as to cover the total expenditure.

Strikes. The economic stability of Latvia was not seriously affected by strikes in the year 1926. The number of workdays lost on account of strikes totalled 24,582 in 1925, and 68,493 in 1926, that is a little more than one day per industrial worker.

Unemployment. The number of unemployed persons has never been large in Latvia, in comparison with essentially industrial countries where, during a crisis in the one or other branch of industry, a large number of hands are deprived of work.

The registered number of unemployed persons declines, ordinarily, to the minimum in summer, during the agricultural labour season, when even foreign

labourers are engaged in Latvia, and attains the maximum in winter. The average number of unemployed reached the maximum in 1922 — 5200. It fell to 3000 in 1923 and to 2000 in 1924, but rose again to 2700 in 1925 and to 2900 in 1926. Riga was the centre of unemployment during the period 1922—24, but in recent years the tide of unemployment has shifted to other large towns in the country, as Daugavpils, Liepāja and Ventspils.

Internal Trade.

Latvian internal trade suffered in 1926 from (1) exceedingly keen competition, and (2) the bad harvest, which diminished the purchasing power of the rural population. The profitable tide of the market in the earlier post-war years ultimately led to the first mentioned difficulty. For, in the hope that such favourable conditions would continue, many people established commercial enterprises, so that the number of merchants was far in excess of the actual possibilities and needs of the market. Such an excessive number of merchants could trade profitably during the transitory period, when prices were on the incline and the average profit was rather high. Already then, the more farsighted merchants perceived that that period of abnormal development would end in an economic crisis, which would be the doom of numerous undertakings, but in the end would afford the others the possibility to exist and yield a normal margin of profit. In fact, the first symptoms of a crisis became apparent in 1924, since when the commercial situation has grown more and more difficult. Competition grew apace, while the level of the turnover remained unchanged. The percentage of net profit was constantly falling and, in the face of keen competition, the merchants were obliged to allow their buyers larger and larger credit. But great difficulty was experienced in collecting money, for the consumers had indulged in more credit than their ordinary budget could afford. Owing to consumers' defaults, the retail dealers were unable to pay the producers and importers punctually for merchandise received. The situation was aggravated by the unavoidable liquidation of enterprises which had been established in anticipation of a profitable market in Russia.

In spite of these adverse circumstances, an economic crisis was averted by certain favourable conditions. Firstly, the general development of our economic life has been satisfactory, and the increase of wealth in the post-war period had a stimulating effect on trade. Secondly, the banks endeavoured to avert commercial bankruptcies by assisting the undertakings involved. Thirdly, the banks accomodated the farmers with credit, a portion of which was eventually used for consumption purposes. And lastly, a good harvest was achieved in 1925, and this helped to sustain the purchasing power of the farmers. In 1926, the position of the farmers was rendered difficult by the bad crops, which naturally affected the merchants as well, especially in the country, where the turnover of trade decreased markedly. The situation was worse at the end of the year than at the beginning.

At present, we observe a decline in the developing tendency of trade. The number of commercial enterprises is diminishing, though very slowly. Of these there were 13,327 in Riga last year, as against 13,632 in 1925.

It is noteworthy that, despite the general difficulties in trade, the joint-stock movement continues to grow, though not to such an extent as in recent years. The following table is illuminating as to the development of Latvian joint-stock companies:

	1924		1925		1926	
	Number	Capital lats in thousands	Number	Capital lats in thousands	Number	Capital lats in thousands
New joint-stock comp.	108	28,853	59	9,765	35	8,320
Increase of capital	41	9,490	33	12,830	37	11,251
Retrenchment of capital	3	640	1	250	—	—
Capital increased by . .	—	37,703	—	22,345	—	19,571

The development of joint-stock companies at a time when manifold difficulties have to be contended with in all branches of trade shows that this kind of undertaking is considered as profitable in Latvia as in other countries where the significance of such companies is increasing from year to year, and the more important undertakings belong to the said category. In Latvia, where the money market is not yet sufficiently developed, the promotion of joint-stock companies is not based so much on public support as on the juridically favourable position of such companies, as also the privileges they enjoy in comparison with other undertakings. In general, the shares of Latvian joint-stock companies do not become objects of exchange, but remain in the hands of a small number of persons and, in some cases, even in the possession of one family.

In conclusion, it may be observed that the present difficulties in our internal trade are not the result of a consumption crisis. The consumption of staple commodities (production plus import minus export) has not decreased, but rather increased up to the present. The same applies to the purchasing power of the population in general, as the following tables show:

1. Textiles.

(Lats in millions.)

Year	Production	Import	Export	Remaining in the country
1922	18·6	20·7	0·9	38·4
1923	25·9	40·5	0·5	66·1
1924	28·2	46·7	0·7	74·2
1925	32·1	54·3	3·7	82·7

2. Chemicals.

(Lats in millions.)

Year	Production	Import	Export	Remaining in the country
1922	9·1	10·3	3·0	16·4
1923	13·1	16·2	5·6	23·7
1924	17·5	20·0	6·7	30·8
1925	23·6	25·1	9·0	39·7

3. Metal goods.

(Lats in millions.)

Year	Production	Import	Export	Remaining in the country
1922	3·0	11·7	0·6	14·1
1923	4·4	34·6	2·9	36·1
1924	6·9	35·0	5·9	36·0
1925	7·6	29·6	4·0	33·2

Foreign Trade.

In 1926, for the first time since the foundation of the Latvian State, the turnover of its foreign trade decreased in comparison with the preceding year. The following turnover has been registered in recent years: 209·2 million lats in 1922; 273·9 million lats in 1923; 426·9 millions in 1924; 460·7 millions in 1925, and 448·6 million lats in 1926. The imports alone accounted for the diminution (having receded from 281·1 to 260·2 million lats), while exports increased from 179·6 to 188·4 million lats.

The turnover of our foreign trade in 1926 averaged nearly 243 lats per head of the population. In this connection, the following comparative figures are of interest: 220 lats in Estonia, 120 lats in Lithuania (in 1925), 104 in Poland (1925), and 23 in the Soviet Union (1925). The average turnover is considerably larger in the great capitalist countries, e. g., in England 1192 lats per head (1925), in France 565, Germany 420 and in the United States of America 399 lats.

Import.

In the inceptive period of our State construction, our industry was almost completely dismantled or liquidated, while our agriculture was in a deplorable condition in consequence of the war. To these causes may be attributed the predominance of manufactured goods and foodstuffs in our import list, while the most desirable branch of imports, viz., raw materials and half-manufactured goods for productive purposes, ranked third.

In the following table the imports are classified according to the main groups of goods:

Groups of goods	1921	1922	1923	1924	1925	1926
Raw materials & half-manuf. goods	20·2	26·5	52·1	61·0	66·0	59·2
Manufactured goods	22·8	49·5	106·2	119·5	132·5	131·7
Foodstuffs & delicacies	27·0	28·6	48·9	69·9	77·7	64·6
Livestock	0·7	3·0	4·6	6·0	3·9	4·1
Precious metals and jewelry	—	0·1	8·9	7·9	0·9	0·7
	70·7	107·3	211·9	256·4	281·1	260·2

Our industrial output has increased parallel to the development of our import of raw materials and half-manufactured goods: in 1922, for exemple, the value of industrial output was 136 million lats, as against 276 millions in 1925. The import of raw materials and half-manufactured goods involved a sum of 26 million lats in 1922, and 66 millions in 1925. The greater part of our industry consumes local raw materials. Imported materials are necessary mainly for the textile, metallurgical, leather and rubber industries.

The total value of raw materials imported in 1926, compared with the preceding year, diminished from 66 to 59·2 million lats or by 10·3%. The diminution of imports is apparent in the following principal items of this group: coal 8·2 million lats (10·3 millions in 1925), hides and skins 3·8 million lats (5·8), furs 3·0 (4·6), leather goods 2·9 (3·4), grease 1·3 (2·3), seeds 5·3 (9·0), naphtha 1·3 (1·5), cellulose 0·7 (1·0), wool 3·4 (3·6), cotton 3·4 (3·5), hemp 0·9 (1·1). But there was an increase in the import of the following materials, compared with the preceding year: iron 4·6 million lats (3·9 millions in 1925), iron-plate 2·1 (2·0), timber materials 2·0 (1·4), cement 1·6 (1·1), rubber 1·8 (1·1), coke 1·3 (0·9), briquettes 0·6 (0·2).

The imports of manufactured goods comprise not only articles for consumption, but also various items for productive purposes and for transport requirements. This applies largely to different industrial and agricultural machinery and implements (21 million lats or 16% of the aggregate import of manufactured goods in 1926). The other manufactured goods employed for productive purposes, as yarn, petrol, lubricating oil and other naphtha products, sulphuric acid, tanning materials, and vehicles involve altogether a sum of 24 million lats, that is nearly 18% of the aggregate value of imported manufactured goods. Thus, only 66% of these imports remain for immediate consumption.

Textiles have always ranked foremost among our imports of manufactured goods. Our own textile industry is not yet able to compete effectively with imported textiles, though the woollen goods made in Latvia are of good quality and enjoy sufficient Customs protection. Since March 1926, owing to increased import duty, the import of textiles has diminished, and the total result of the year is only 50·9 million lats, as against 54·3 millions in 1925. The import of cotton tissue declined from 26·2 million lats in 1925 to 24·5 millions in 1926, and of woollen tissue from 9·3 to 9·0 million lats, while the import of woollen yarn increased from 2·9 to 3·9 million lats, and of miscellaneous yarns from 3·69 to 3·73 million lats.

Among the other manufactured goods imported, the following items show a decrease: workmen's tools and implements 1·3 million lats (1·5 millions in 1925), glassware 1·4 million lats (1·5), kerosene 1·9 (2·1), vegetable oils 1·3 (1·7), dyes 1·97 (1·98), tanning materials 1·0 (1·6), rubber goods 1·6 (1·8), superphosphate 3·3 (4·1), fancy goods and petty wares 1·7 (2·5), optical, physical and medical apparatus 1·5 (1·6) million lats. On the other hand, the import of certain articles has increased, e. g., agricultural machines 6·3 million lats (6·0 millions in 1925), industrial and other machines 14·6 (13·3), paper 1·5 (1·0), petrol 1·3 (0·8), Thomas slag 1·8 (1·6), potassic salts 2·2 (1·3), electrical apparatus and accessories 4·6 (4·3), vehicles 5·1 (4·8).

By supporting the corresponding branches of local industry, it would be possible to dispense with or reduce considerably the importation of the following goods: tissue, yarn, paper, cardboard, glassware and common chinaware, rubber goods, fancy goods, as also such manufactured goods as cement, cellulose and leather goods.

I. Import of the principal goods.
(In millions of lats.)

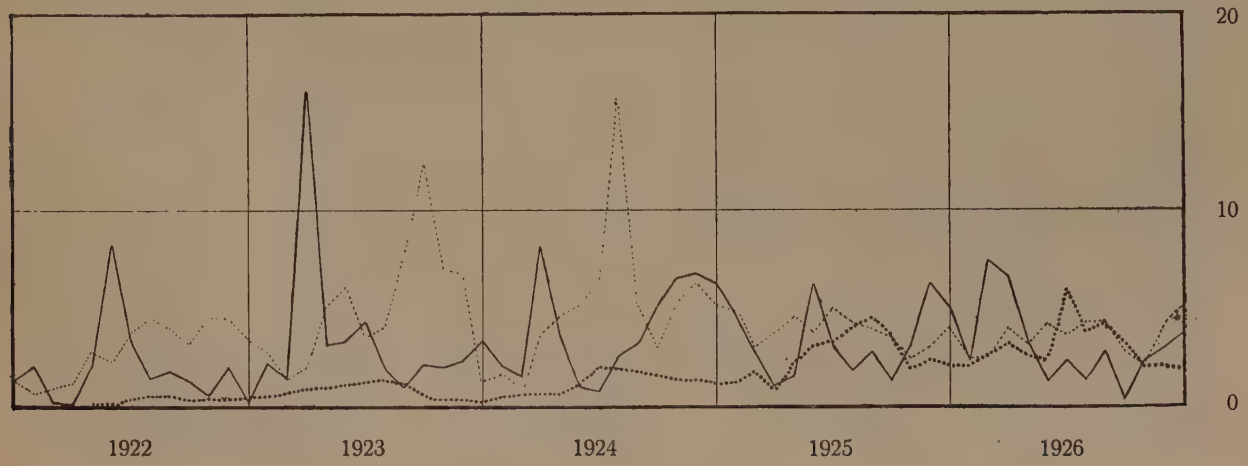
Year	Textiles	Chemicals	Wheat	Industrial machines	Sugar	Rye	Agricult. machines	Herrings	Tobacco	Hides & skins	Leather goods	Horses
1924												
I—III	8·5	4·2	2·9	2·5	3·9	3·5	0·6	0·6	1·0	0·5	1·0	1·8
IV—VI	11·2	4·1	3·2	2·6	3·9	3·5	1·2	0·2	1·1	0·4	0·7	1·1
VII—IX	13·2	6·4	4·2	4·3	4·4	1·6	2·4	2·4	1·1	0·9	1·2	0·8
X—XII	13·8	5·3	4·5	3·8	3·5	3·4	0·7	1·7	1·0	0·5	0·6	0·8
	46·7	20·0	14·8	13·2	15·7	12·0	4·9	4·7	4·2	2·3	3·5	4·5
1925												
I—III	12·7	5·1	4·0	3·6	3·6	5·1	1·0	1·2	1·0	0·9	0·6	1·0
IV—VI	11·6	5·8	4·5	2·9	5·2	3·4	1·2	1·0	0·9	1·1	0·7	1·0
VII—IX	14·3	8·0	4·3	3·4	5·1	5·7	2·4	2·1	1·2	2·3	0·9	0·6
X—XII	15·7	6·1	4·9	3·4	3·2	4·6	1·4	1·3	0·9	1·5	1·2	0·4
	54·3	25·0	17·7	13·3	15·1	18·8	6·0	5·6	4·0	5·8	3·4	3·0
1926												
I—III	16·6	5·1	4·8	3·0	4·0	3·7	0·8	1·2	1·1	1·2	1·1	0·8
IV—VI	9·1	6·5	1·4	2·8	2·2	0·8	2·6	0·8	0·9	0·6	0·3	1·0
VII—IX	12·1	6·1	4·5	4·3	4·3	1·7	2·1	2·2	1·4	0·7	0·7	0·5
X—XII	13·1	5·7	4·1	4·5	3·1	5·0	0·8	1·1	1·1	1·3	0·8	0·3
	50·9	23·4	14·8	14·6	13·6	11·2	6·3	5·3	4·5	3·8	2·9	2·6

Of course, the least productive imports are those of foodstuffs and delicacies. It is gratifying to observe that these were less voluminous in 1926 than in the two preceding years. Especially the import of corn diminished as a result of the good harvest in 1925. Wheat was imported in 1926 for 14·8 million lats (as against 17·7 millions in 1925), rye for 11·2 (18·8) millions. But in the last three months, owing to the deficient harvest in 1926, the import of rye increased considerably and was nearly equal to the quantity imported in the preceding nine months. However, the import of wheat did not increase to any marked extent.

The imports of the following foodstuffs were less than in the preceding year: sugar for 13·6 (15·1) million lats, herrings for 5·3 (5·6), oats 1·2 (2·0), barley 0·7 (1·5), rice 1·06 (1·13), oranges 0·3 (0·9). More than in the preceding year were imported: salt for 0·9 (0·7) million lats, lard 1·9 (1·1), tobacco 4·5 (4·0), cocoa 0·93 (0·88), tea 0·64 (0·61), coffee 0·5 (0·48) millions.

The import of livestock is desirable and even necessary in prevailing conditions, for supplementing and improving the local herds, which have surpassed the average pre-war number, but are not yet satisfactory in regard to breed. Horses were imported for only 2·6 million lats in 1926, as against 3 millions in 1925. But the import of cattle was doubled in the period under review, from 0·5 to 1 million lats.

Export of timber materials, flax & butter in 1922—1926.
(Ls, in millions.)



——— flax.
..... timber materials.
..... butter.

Export.

The exports were classified thus:

Groups of goods	1921	1922	1923	1924	1925	1926
Raw materials and half-manufactured goods .	26·0	78·95	131·15	131·1	112·6	101·9
Manufactured goods	1·8	11·0	12·3	18·4	25·7	37·1
Food-stuffs & delicacies	1·1	12·1	17·7	19·4	40·2	49·0
Livestock.	—	—	0·8	1·6	0·5	0·2
Precious metals & jewelry	0·4	9·4	12·0	5·1	0·7	0·3
Total . .	29·3	101·9	162·0	170·5	179·6	188·4

At the beginning, our exports consisted almost exclusively of raw materials and half-manufactured goods, which constituted the principal group until lately. But since 1923 there has been a decline, the causes of which are easily found. For timber materials and flax are the principal items of this group, in fact of our export in general. The foreign timber market became less and less active in recent years. Prices fell, and no improvement may be expected in the near future. Then again, the Forest Department is now husbanding the country's forest resources, duly considering the past intensive exploitation of the same for reconstruction purposes, in repairing the damages caused by the war, and for erecting new buildings in towns and in the country. Furthermore, the export of timber was unfavourably influenced by the long miners strike in England. Timber materials were exported in 1926 for 41·1 million lats, as against 46·7 millions in 1925. Thereof, the export of sawn goods declined most noticeably, from 30·1 million lats in 1925 to 21·9 millions in 1926. On the other hand, the export of veneer goods rendered 4·1 million lats in 1926, as against 2·4 millions in 1925, boxboards 6·3 (3·9) million lats, splint 1·5 (1·2) million lats. In the same period the export of alder blocks diminished in value from 1·6 to 0·8 million lats, and of sleepers from 1·1 to 0·1 million lats. This indicates a development of our wood exports in a desirable direction, namely more in the form of manufactured goods. For by working up these materials on the spot, fuller benefit is derived than by exporting the raw material. The export of flax in three quarters of 1926 surpassed the results achieved in the corresponding period of 1925, but declined in the last quarter, so that the aggregate value rendered in 1926 was only 38 million lats, as against 40·3 millions in the preceding year. A larger quantity of flax was exported in 1926 than in 1925, but prices fell considerably, and this has already had its effect on the flax acreage in Latvia, which shrunk markedly in 1926.

Among the other raw materials and half-manufactured goods, the export of which has diminished, we find the following: linseed from 11·4 million lats in 1925 to 6·7 millions in 1926, leather goods from 2·1 to 0·4 million lats, furs from 3·8 to 3·3 millions. But the export of the following items increased: bristles from 0·7 million lats in 1925 to 1·5 million lats in 1926, hides and skins from 1·8 to 3·1 million lats, and clover seed from 1·5 to 3·8 million lats.

II. Export of the principal goods.
(Lats, in millions.)

Year	Timber materials	Flax	Butter	Rubber goods	Meat	Linseed	Paper	Furs	Hides and skins	Linoleum	Flax and tow yarn	Lubricating oil	Matches
1924													
I—III	3·7	6·9	1·3	—	0·2	1·5	0·3	1·1	0·7	0·4	0·5	0·0	0·3
IV—VI	13·3	12·8	2·2	—	0·1	0·2	0·8	0·8	1·3	0·6	1·0	0·1	0·2
VII—IX	27·4	6·3	5·7	—	0·0	0·1	1·3	0·3	0·8	0·6	0·5	0·1	0·2
X—XII	14·8	18·1	4·3	—	0·9	7·9	1·2	1·1	0·3	0·7	0·6	0·2	0·3
	59·2	44·1	13·5	—	1·2	9·7	3·6	3·3	3·1	2·3	2·6	0·4	1·2
1925													
I—III	12·8	13·6	4·7	0·1	0·7	1·3	0·9	1·3	0·3	0·6	0·7	0·1	0·1
IV—VI	11·9	8·8	6·1	0·6	0·3	0·1	1·0	0·7	0·4	0·8	0·4	0·1	0·5
VII—IX	13·2	7·5	11·7	0·8	0·4	0·2	1·4	0·9	0·9	0·7	0·6	0·2	0·2
X—XII	8·8	10·4	7·8	0·8	2·2	9·8	2·3	0·9	0·2	1·0	0·7	0·4	0·4
	46·7	40·3	30·3	2·3	3·6	11·4	5·6	3·8	1·8	3·1	2·4	0·8	1·2
1926													
I—III	8·7	14·6	9·6	1·2	1·2	1·2	1·6	1·6	0·1	0·7	0·7	0·3	0·2
IV—VI	11·5	11·3	6·8	1·3	1·6	0·1	1·4	0·8	0·6	0·6	0·5	0·5	0·3
VII—IX	12·1	6·5	13·8	2·3	1·5	0·4	1·3	0·3	1·5	1·0	0·9	0·4	0·4
X—XII	8·9	5·6	7·3	3·4	2·5	5·0	1·1	0·7	0·9	0·8	0·8	0·6	0·3
	41·1	38·0	37·5	8·2	6·8	6·7	5·4	3·3	3·1	3·1	2·9	1·8	1·2

The exports of manufactured goods are growing from year to year, nearly in equal proportion to the aggregate value of our industrial output. In 1926, for the first time, the value of parcels exported by post (nearly 6·2 million lats) was added to the value of manufactured goods exported, thus increasing the aggregate value of manufactured goods exported. In the latter category, rubber goods present the most substantial increase, having rendered 8·2 million lats in 1926, as against only 2·3 millions in 1925. Ready markets have been secured for these goods abroad.

A certain increase of exports is also registered in respect of the following manufactured goods: flax and tow yarns for 2·9 million lats in 1926, as against 2·4 millions in 1925, lubricating oil for 1·8 (0·8) million lats, matches for 1·23 (0·18) million lats. Undoubtedly, rubber goods account for the greater part of the increase in the export of manufactured goods, considering that the export of several important articles has actually decreased, e. g., paper from 5·6 to 5·4 million lats, agricultural machines and implements from 1·7 to 1·1 million lats, and linoleum from 3·11 to 3·05 million lats.

The export of foodstuffs presents the most rapid development, butter export comprising four-fifths thereof. Reviewing the total results of the year, we observe that the export of butter (rendering 37·5 million lats as against 30·3 millions in 1925), rendered only a little less than the export of timber materials and flax.

It is expected that, in the current year, butter will top our export list. Satisfactory development is also registered in the exportation of meat, which rendered 6·8 million lats in 1926, as against 3·5 millions in 1925, as also vetches from 0·7 to 1·5 million lats, and tinned goods from 0·3 million lats in 1925 to 0·5 million lats in 1926. The export of the following commodities decreased: rye from 1·1 to 0·4 million lats, barley from 0·6 to 0·2 million lats, oats from 0·6 to 0·1 millions, rye flour from 0·4 to 0·14, fruit and berries from 0·4 to 0·1, fish from 0·4 to 0·2, eggs from 0·15 to 0·03, oilcake from 0·55 to 0·5, bran from 0·21 to 0·16 million lats. The export of livestock also decreased last year from 0·5 to 0·2 million lats, especially the export of cattle from 0·3 to 0·1 million lats. Thus, butter and meat are practically the only contributors to the increased export value of foodstuffs.

The export of butter in 1926 exceeded that of the preceding year by 47%. 10,131 tons of butter were exported, as against 7726 tons in 1925. Of the entire quantity Germany received 77·3%, England only 19·3%. An endeavour must be made to recover the English market. Bacon export increased by 240% last year. This is of great importance for the development of pig breeding. England receives about 90% of our meat exports.

The following comparative data are illuminating as to the trend of our import and export of foodstuffs in recent years:

Years	Imports	Exports	Difference
1924	69·9	19·4	— 50·5
1925	77·7	40·2	— 37·5
1926	64·6	49·0	— 15·6

In 1924, Latvia imported foodstuffs for 50 million lats more than it exported. But last year, the difference was reduced by more than three times. This indicates the satisfactory development of Latvian agriculture, the increasing export of agricultural produce and the better provision of the local market.

Chief Export Goods.

(Ls, in millions.)

- 41·1 — Timber materials.
- 38·0 — Flax.
- 37·5 — Butter.
- 8·2 — Rubber goods.
- 6·8 — Meat.
- 6·7 — Linseed.
- 5·4 — Paper.
- 3·8 — Clover seed.
- 3·3 — Furs.
- 3·1 — Hides & skins.

Chief Import Goods.

(Ls, in millions.)

- 50·9 — Textiles.
- 14·8 — Wheat.
- 14·6 — Industrial and other machines.
- 13·6 — Sugar.
- 11·5 — Rye.
- 8·2 — Coal.
- 6·3 — Agricult. machines.
- 5·3 — Herrings.
- 5·3 — Seeds.
- 5·1 — Vehicles.

Chief Groups of Import Goods.
(Ls, in millions.)
Foodstuffs & delicacies.
64·6
Manufac-tured goods.
131·7
Raw materials & half manufactured goods.
59·2
Livestock.
4·1
Precious metals & jewels.
0·7

Chief Groups of Export Goods.
(Ls, in millions.)
Foodstuffs & delicacies.
49·0
Manufactured goods.
37·1
Raw materials & half manu-factured goods.
101·9
Livestock.
0·2
Precious metals & jewels.
0·3

The balance of foreign trade
has been characterized thus in recent years:

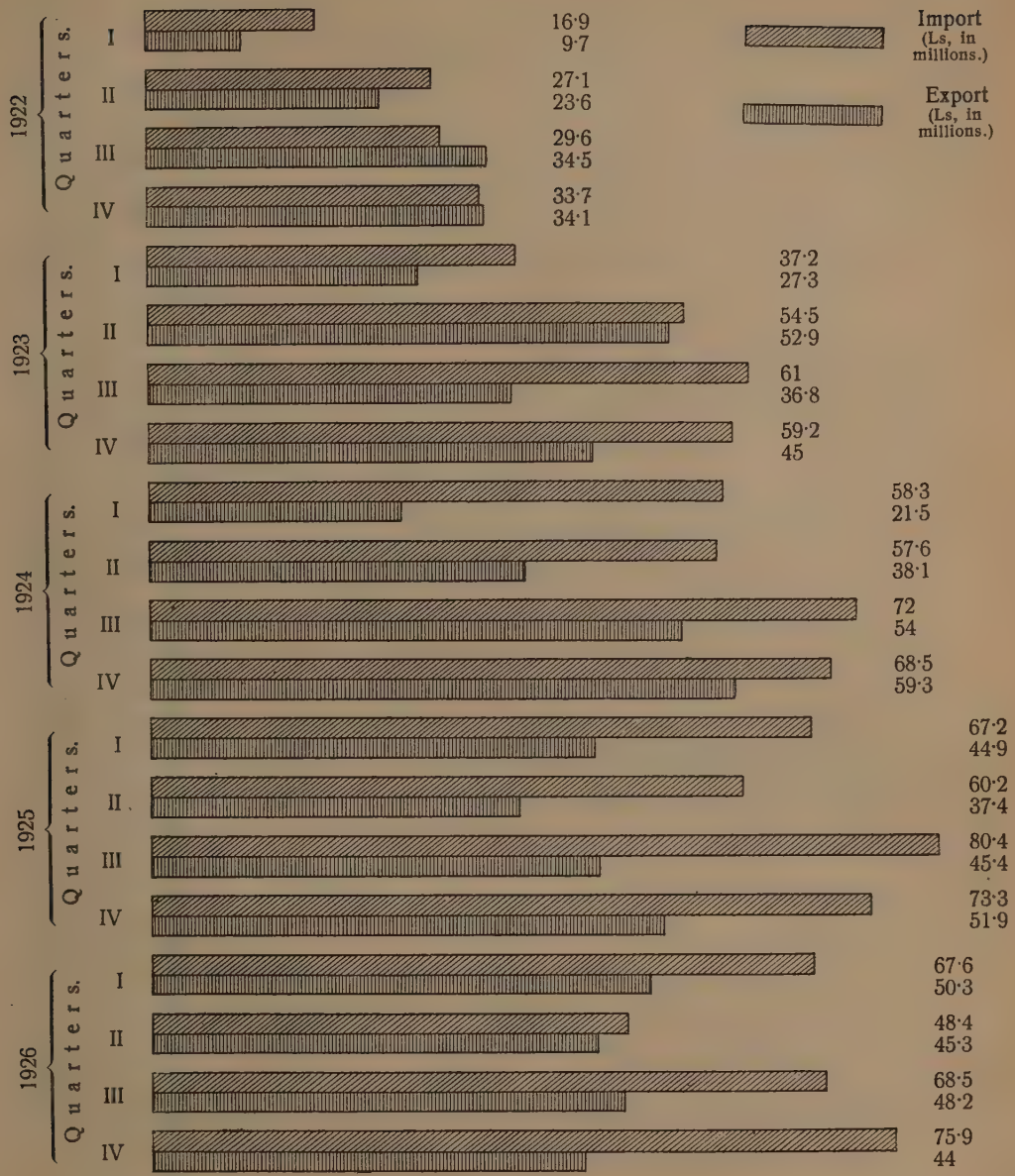
Year	Import	Export	Total	Balance	Export in % % of imports
1921	70·7	29·3	100·0	— 41·4	41·8
1922	107·3	101·9	209·2	— 5·4	95·2
1923	211·9	162·0	373·9	— 49·9	76·4
1924	256·4	170·5	426·9	— 85·9	66·6
1925	281·1	179·6	460·7	— 101·5	63·9
1926	260·2	188·4	448·6	— 71·8	72·5

Thus, in 1926, the value of exports, compared with that of imports, improved markedly, as against the two preceding years.

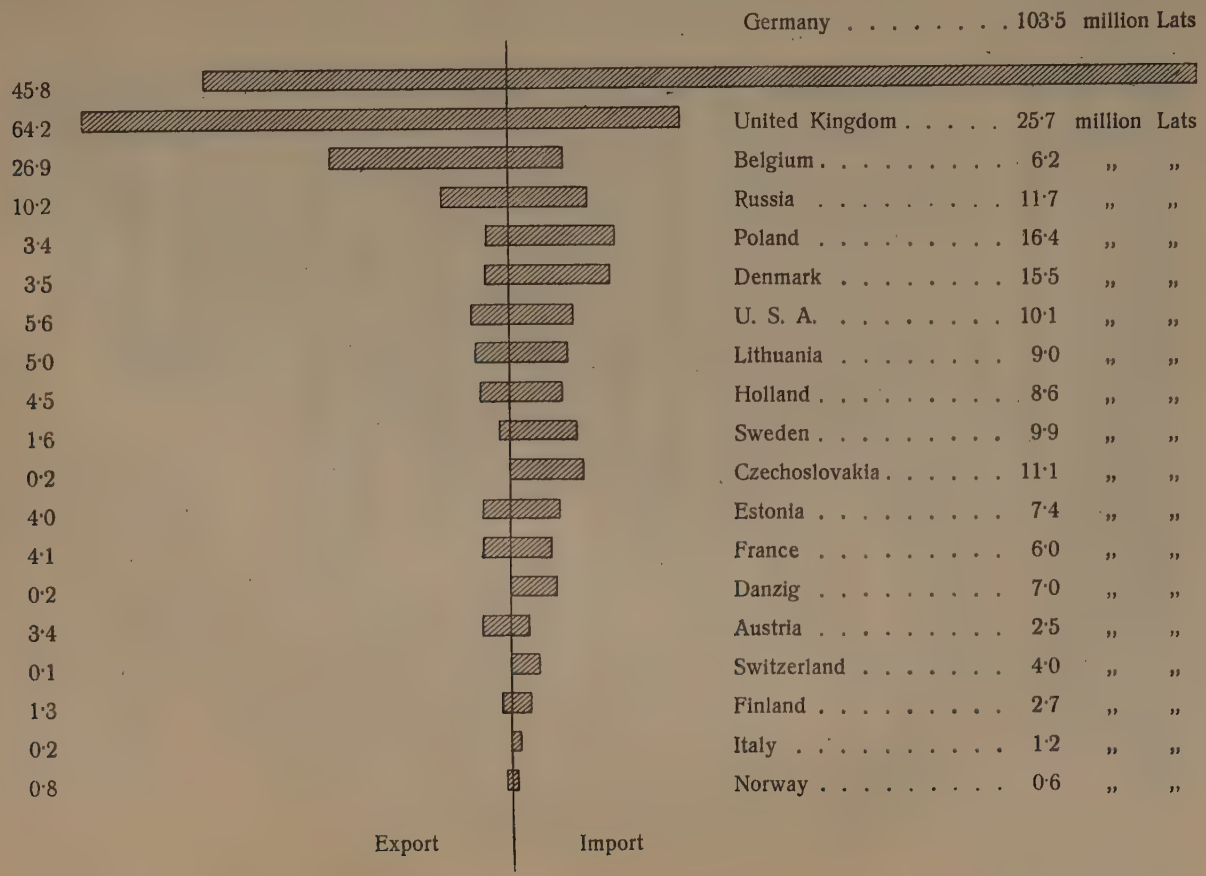
Much has been written about the recurrent passiveness of our trade balance. In general, this has been regarded as a dangerous feature and one apt to jeopardize the very stability of our country. The fact remains, however, that our currency has not fluctuated in the slightest degree, nor have the debts of Latvia risen in proportion to these passive results. Moreover, it is contended that the actual passiveness of our balance of trade cannot be so great, because imports are generally valued higher than exports, as is proved by the memorandum of the League of Nations concerning the balances of payment and of trade in the years 1920—1924. The aggregate balance of trade of all countries reveal an excess of imports over exports to the extent of 6%, which is the result of unequal valuation. Consequently, the discrepancy between export and import should be adjusted by adding about 6% to the value of export in its relation to import. In such a case, our export in 1926 would represent 78·5% of our import. Furthermore, it should be observed that our statistics do not make any allowance for trade discount and reductions from the indicated prices of import goods, nor do they add to the value of exports the provisioning of ships in Latvian ports and the purchases of travellers, which items are of great importance in a transit country as Latvia essentially is.

Apart from the foregoing considerations, the passiveness of former years was reduced by the fact that, owing to the depreciation of German currency, the cost of various import goods from Germany was ultimately lowered, as the quotation of the mark was higher at the time of ordering the goods than on the day of payment. When the pound sterling was rising, our exporters received for their wood materials, flax, butter, bacon and other goods more than was anticipated, by concluding contracts in English currency. It should also be borne in mind that, in the first post-war years, large quantities of unregistered goods went to Russia. These invisible exports developed into a regular mail order business in the succeeding years, and the value of the latter was included in our balance of trade for the first time in 1926. Finally, from the imports of 1924 a sum of seven million lats should be deducted, being the value of silver specie made to order by the British Royal Mint and imported from England. All these considerations tend to diminish appreciably the actual passiveness of our balance of trade.

Latvian Import and Export.



Import & Export in 1926.


Germany . . . . . 103·5 million Lats
45·8
64·2
United Kingdom . . . . . 25·7 million Lats
26·9
Belgium . . . . . 6·2 „ „
10·2
Russia . . . . . 11·7 „ „
3·4
Poland . . . . . 16·4 „ „
3·5
Denmark . . . . . 15·5 „ „
5·6
U. S. A. . . . . 10·1 „ „
5·0
Lithuania . . . . . 9·0 „ „
4·5
Holland . . . . . 8·6 „ „
1·6
Sweden . . . . . 9·9 „ „
0·2
Czechoslovakia . . . . . 11·1 „ „
4·0
Estonia . . . . . 7·4 „ „
4·1
France . . . . . 6·0 „ „
0·2
Danzig . . . . . 7·0 „ „
3·4
Austria . . . . . 2·5 „ „
0·1
Switzerland . . . . . 4·0 „ „
1·3
Finland . . . . . 2·7 „ „
0·2
Italy . . . . . 1·2 „ „
0·8
Norway . . . . . 0·6 „ „
Export
Import

Therefore, our balance of trade is not so passive as is generally imagined. Its persistence is a consequence of the war. Our balance of trade cannot be compared with that of Lithuania and Estonia, which is active in both cases, because the latter countries suffered less during the war. Moreover, the wants of the Latvian population are greater than those of the Estonians and Lithuanians. And it is noteworthy that the values imported are not utilized exclusively for consumption, but largely for productive purposes as well, whereby they have helped to augment the national wealth, which has increased appreciably since 1919. The balance of payments has not been passive to any great extent, as proved by the stability of our currency and the fact that no new foreign debts of any importance have been incurred. Consequently, the prevailing balance of trade cannot affect our economic stability. Finally, the improved results achieved in 1926 are indicative of the approaching end of the period of passiveness.

Already in the first post-war years, cognizance was taken of the passive condition of our foreign trade and, in our trade policy, an endeavour was made to adjust the same by means of licences and prohibitions. But this led to no improvement, as contraband flourished side by side with legal import trade. In fact, the high import duties were conducive to the development of contraband traffic. It became evident that the balance of trade could not be improved by mere import restrictions, but by augmenting domestic productivity and promoting export. It is obvious that our agricultural and industrial export must be promoted, for this is possible in prevailing conditions. We must support not only the exporting industries, but also the enterprises producing goods for the local market, in keen competition with similar imported articles. Preference should be shown to industries with a justified foundation, i. e., those which employ local raw materials and can make use of the cheap labour available in Latvia, without necessitating an extensive outlay of capital. Of course, the enterprises thus supported with credit must be modern establishments, well organized and able to work with success.

Our exports of dairy products and wood materials seem to present the best prospects of development. But it should be considered that our forest resources are limited, and we must endeavour to derive the greatest possible benefit therefrom. For this reason, it is advisable to work up the wood materials on the spot for exportation, as much as possible, in the form of manufactured goods, as veneer, boxboards, splint, furniture etc. The area cultivated with flax and the export possibilities thereof are decreasing, in consequence of fluctuating prices and diminished significance in the world market. Flax also should be exported in manufactured condition, as yarn or tissue.

Latvia's export industries cannot wait for the ultimate recovery of the Russian market, but must endeavour to satisfy the needs of other countries. The import trade cannot be adjusted by means of restrictions, but by confining the issue of credit to the importation of raw materials and productive items only. The new differential tariff will be a potent means of improving our balance of trade.

Transit traffic.

The transit traffic via Latvia presented the following returns in recent years: 360·7 thousand tons in 1923; 574·7 in 1924; 440·8 in 1925, and 462·1 thousand tons in 1926.

In comparison with the preceding year, the transit volume increased by nearly 5% in 1926, though about 20% less than in 1924. A half-yearly comparison reveals a diminution of transit traffic in the first, and an increase in the second half of the year. This is particularly noticeable in the returns for the past year.

Year	1. half	2. half
1924	213·8 thous. tons	360·9 thous. tons
1925	214·8 „ „	226·2 „ „
1926	177·7 „ „	284·4 „ „

The following table shows from which countries and in what quantities goods have been forwarded through Latvia in transit (in thousands of tons):

Countries	1923	1924	1925	1926
From: U. S. S. R.	170·0	308·0	194·3	163·7
Poland	29·3	130·2	87·7	158·9
Lithuania	53·6	43·6	33·9	47·1
Germany	30·8	25·6	43·2	35·1
Great Britain	26·4	30·4	25·4	18·8

There is a steady decrease of transit-exports from the Soviet Union via Latvia, both in absolute numbers and in relation to the aggregate volume of transit: they constituted 47% of the total in 1923, 53% in 1924, 44% in 1925, but only 35% in 1926. The volume of transit from Poland is very inconstant. In 1926 it increased considerably in connection with the export of coal during the miners' strike in England.

The following table shows to which countries and in what quantities goods have been forwarded through Latvia in transit (in thousands of tons):

Countries	1923	1924	1925	1926
To: Great Britain	118·3	228·0	143·0	163·7
Lithuania	36·3	44·5	69·6	59·9
Germany	40·3	45·7	50·9	49·9
Belgium	18·5	53·6	33·5	43·2
U. S. S. R.	71·6	31·0	21·9	37·3
Holland	7·1	73·1	48·7	29·6

Great Britain has always ranked foremost among the countries to which transit merchandise is sent through Latvia. In the course of three years the Soviet Union has receded from the second to the fifth place, and in percentages from 20% in 1923 to 8% in 1926 of the aggregate volume.

In the following table are enumerated the principal goods forwarded in transit through Latvia in recent years (in thousands of tons):

Goods	1924	1925	1926
Wood materials	286·3	220·4	192·8
Coal	2·7	2·2	70·1
Flax	23·1	22·4	35·3
Herrings	22·4	19·1	16·4
Linseed	11·9	10·0	11·0
Tow	4·7	9·0	10·7
Sugar	9·8	11·3	10·1
Salt	7·7	11·1	9·5
Artificial manure	4·7	9·4	9·3
Butter	4·5	1·9	8·9
Kerosene	4·8	9·0	8·8
Eggs	16·8	11·2	7·8
Grain & flour	60·0	55·4	3·3

From the above table it is evident that the increase of transit by 5% in 1926 resulted mainly from the augmented transports of coal during the strike. The coal transports have now ceased and, if the transit of timber materials continues to diminish in the same measure as heretofore, the volume of our transit traffic will be inevitably smaller this year. This may be averted only by an eventual increased transit of corn.

Transport.

Railways. The total length of Latvian railways is 2824 kilometres, averaging 17·7 kilometres to every 10,000 inhabitants. By way of comparison, it may be observed that the average length of railroads in Estonia is 12·9 kilometres to every 10,000 inhabitants, in Lithuania 15·3 km, in Finland 13 km and in Russia 8·4 kilometres.

The Latvian Government has made an earnest effort to repair the damage caused by the Great War. In the course of seven years the Government has spent no less than 16 million lats on the repair of roads and bridges, the building of railway stations and so forth. To-day, it may be said that the object has been attained, for Latvian railways are working satisfactorily.

The past year revealed considerable progress in our railway traffic, in comparison with the returns of the preceding year. This progress is particularly noticeable in freight traffic, less so in passenger traffic.

Our passenger traffic presented a total of 11·14 million persons in 1926, as against 10·97 millions in the preceding year. This shows an increase of 1·5%. The total length of passenger-kilometres increased from 546 to 553 million kilometres, i. e., by 1·4%.

Freight traffic presented a more substantial increase. It amounted to 2,535,000 tons in 1926, as against 2,013,000 tons in 1925, i. e., an increase of 26%. The freight distance increased from 252 million ton-kilometres in 1925 to 327 millions in 1926, i. e., by 29%. Thereof, local traffic amounted to 1,745,000 tons in 1926, as against 1,531,000 tons in 1925, showing an increase of 14%. Direct foreign traffic and transit traffic increased more considerably: from 462,000 tons in 1925 to 770,000 tons in 1926, i. e., by 67%.

The freightage of the following staple commodities increased last year, compared with the results of the preceding year, thus: timber materials 955 (794) thousand tons, flax 92 (49), butter 24 (12), coal 197 (59), iron and hardware 54 (49), building materials 160 (118). On the other hand, grain and flour show a decrease 193 (206), and artificial manure 94 (104) thousand tons.

The constructions of the new and important line from Glūda to Liepāja (Libau), which was started in 1925, is progressing satisfactorily, and the new line will be open for traffic in the current year.

Shipping. In conjunction with the decrease of imports in general, and of maritime imports in particular (coal was imported from Poland during the miners' strike in England), there was a slight decrease of incoming tonnage in 1926, as shown in the following comparative table of arrivals in Latvian ports:

Year	Arrivals (nett tons, in thousands)	Compared with 1913 (in %%)
1913	3,591	100
1919	343	9·5
1920	480	13·4
1921	785	21·9

Year	Arrivals (nett tons, in thousands)	Compared with 1913 (in %%)
1922	1,294	36·0
1923	1,442	41·5
1924	1,495	41·6
1925	1,444	40·2
1926	1,412	39·3

The shipping traffic was distributed among Latvian ports in 1926 as follows: Riga 63% of incoming vessels, Liepāja (Libau) 21·1%, Ventspils (Windau) 14·5% and Ainaži (Haynasch) 1·4%.

The Latvian commercial fleet has grown rapidly in recent years, and especially so in the year 1926 when an increase of nearly 20,000 tons was registered. On January 1, 1927 our merchant service had recovered 68·1% of the pre-war level.

Year	Steamers		Sailing vessels		Motor vessels		Total	
	Number	Gross tons	Number	Gross tons	Number	Gross tons	Number	Gross tons
1 I 1914	59	77,626	270	48,796	4	296	333	126,718
1 I 1920	5	2,472	39	8,444	1	230	45	11,146
1 I 1921	11	9,112	45	9,290	2	262	58	18,664
1 I 1922	19	23,043	53	10,128	8	850	80	34,021
1 I 1923	20	22,115	59	10,147	9	1,065	88	33,327
1 I 1924	31	38,310	56	9,129	9	993	96	48,432
1 I 1925	36	42,907	52	7,874	12	1,486	100	52,267
1 I 1926	54	57,867	54	7,984	9	791	117	66,642
1 I 1927	65	77,633	47	5,997	10	2,557	122	86,187

The pre-war level has been recovered in the tonnage of steamers, and in regard to motor vessels the pre-war tonnage has been surpassed by about eight times. On the other hand, there is a decrease in the number and tonnage of sailing vessels. Whereas the latter constituted more than one-third of the tonnage of our merchant service before the war, they represent less than onethirtieth of the same at present.

The transport of goods on internal waterways, rafting included, increased from 952,000 tons in 1925 to 1,122,000 tons in 1926, a large portion of which consisted of transit goods, viz., 362,000 tons in 1925 and 431,000 tons in 1926.

Finance and Banking.

Money Market.

In the past year, complaints were heard everywhere about a poignant lack of money and consequent difficulties in effecting payments, which had a very unfavourable effect on the development of our economic life. To what may this be attributed? Certainly not to any diminution of the total amount of issue, because the latter, far from being diminished, was increased slightly in 1926, in December of which year, the legal tender in circulation totalled 86·6 million lats, as against 83·9 millions in December 1925. Quite another matter it is, however, as to whether an increase of issue to the extent of only 3·2% was sufficient in face of the progressive tendency of our economic life. It is an established fact that, as the economic organism grows and the general level of public wealth rises, the wants of the community grows apace, and more and more means are necessary for the turnover, as is proved by the unequal proportion of issue to the number of the population in various countries. The total issue of banknotes and State Treasury notes, in lats, per head of the population, is indicated as follows: 227 lats in Great Britain, 205 in Switzerland, 113 in Italy, 97 in Germany, 41 in Estonia, 33 in Latvia, 22 in Russia and 20 in Lithuania. It should be borne in mind, however, that conditions differ in the above mentioned countries, e. g., English money circulates in large amounts not only at home, but throughout the world. Nevertheless, it is evident that, if the economic life of Latvia continues to develop as hitherto, and our issue is not increased, the scarcity of money will become more and more pronounced.

The cover of the notes issued by the Latvijas Banka permits of a double increase of issue. From this, however, the Bank refrains for certain reasons. The capital of the Latvijas Banka consists mainly of Government deposits and current accounts, which may be used for short term credits only. The same may be said of the other sums of capital available in our country, viz., the means of our private banks and the foreign capital entering in the form of commercial credit or private loans. All such capital is suitable for short term credits only. Therefore, short term credits have been granted to various enterprises and to farmers, in a measure in keeping with prevailing circumstances. Despite these credits, however, we cannot cope with all our economic needs, which require not only certain funds for turnover purposes, but also credits for economic restoration in agriculture, industry and building operations. Comparatively few such long term credits have been granted so far. Up to January 1, 1927, the State Land Bank issued long term credits to the extent of 40·9 million lats, and the State Mortgage Bank 14·6 millions. It should also not be overlooked that, in recent years, several thousand new buildings have been erected, extensive repairs effected to buildings which had been damaged during the war, in towns and in the country, numerous factories have been restored, old roads have been repaired and new ones built. All that work called for long term credits, which it was not ours to give. Therefore, in lieu thereof, short term credits have been employed, though not adapted to these

requirements by reason of the rate of interest and the conditions of payment. Consequently, many undertakings got into difficulties and could not operate with success.

It is noticeable that, in granting long term credit to the population, the Government draws the requisite sums from its budget resources, without increasing for this purpose the issue of Treasury notes. The enterprises and economic units, which are operating successfully, must therefore assist the new undertakings which are not always capable of independent existence, by paying heavier taxes.

An outlet from this situation may be found: (1) by converting into long term credits such short term transactions which logically have a long term character; (2) by granting new long term credits, for which purpose a slow but steady increase of issue would be necessary. At the same time, an endeavour must be made to limit the import of goods for immediate consumption, as this may be stimulated by the increased circulation of money and be detrimental in the end to our balance of trade. By limiting imports and the demand for foreign currency, local production would be promoted and the continued stability of our currency ensured. The Latvijas Banka can always guarantee this stability by withdrawing a portion of the money in circulation, which totalled only 86 million lats on January 1, 1927, while the loans of the Latvijas Banka exceeded 125 million lats.

Another question arises, namely the effect of an increased issue on the purchasing power of the lat at home. In this connection, let us examine the effect of changes in the amount of issue, by comparing the quarterly index figures of prices with the aggregate amounts in circulation in corresponding periods.

	Index of retail prices	Circulat. of money (in millions of lats)	Price Fluctuation in percent, compared with the I quarter, 1925	Fluctuation of issue in percent compared with the I quarter, 1925	Increase or decrease of prices in percent, from quarter to quarter	Increase or decrease of the amount of issue in percent, from quarter to quarter	Index of import prices	Index of export prices
1925. I Quarter	142	82·7	100	100	—	—	126	147
1925. II „	138	79·2	97	96	— 3	— 4	122	142
1925. III „	139	81·0	98	98	+ 1	+ 2	123	146
1925. IV „	136	84·3	96	102	— 2	+ 4	127	141
1926. I „	138	86·2	97	104	+ 1	+ 2	131	134
1926. II „	130	84·7	92	103	— 5	— 1	132	130
1926. III „	132	85·7	93	104	+ 1	+ 1	126	140
1926. IV „	136	86·2	96	104	+ 3	0	129	143

Although the index figure of retail prices has fallen from 100 to 96% in two years, while the amount of issue has increased by 4%, the figures in the fifth and sixth columns show a certain connexion between the level of prices and the amount of money in circulation, with the following exceptions: (1) the last quarter of 1925, when the amount of money in circulation increased, while the level of retail prices declined owing to the good harvest, and (2) the last quarter of 1926, when the amount of money in circulation remained unchanged, while

the level of prices rose owing to the general situation in the world market (See the indexes of import and export prices) and to the deficient harvest in 1926. The changes in the amount of issue were, however, so insignificant that they could not influence the level of prices in a perceptible manner. The increase attained only 4% in two years, during which our economic life developed markedly, and now demands a larger circulation of money than two years ago. On the other hand, it is evident that a sudden increase of issue by a large amount will surely affect the market, if this amount takes the form of new credits for the population. But a gradual increase of emission, conforming to our economic requirements, cannot raise the level of prices perceptibly.

The money market has been influenced not only by the lack of money in circulation, owing to the limited issue, but even more by the altered credit policy of our banks, evoked by the great increase of the total amount of loans, as compared with the means at our disposal. On January 1,1926 the loans granted by credit institutions and deposit banks totalled: 170·4 million lats out of the Government's means, and 94·4 millions of private funds, altogether 264·8 million lats. But by January 1,1927 these sums had increased considerably: amounting on that date to 226·9 million lats of Government means and 104·1 millions of private means, totalling 330 millions. These are mostly short term credits. On the other hand, deposits rose in the same period from 107·7 million lats to 118·1 millions only. In other words, loans increased by 66·2 million lats, while deposits rose by only 10·4 millions, presenting a situation which may hardly be considered normal.

Realizing the necessity of reducing the aggregate extent of loans, in keeping with the Bank's resources, the Latvijas Banka began to be more and more cautious in its credit policy, especially in the granting of new credits The Bank emphatically refused to encourage the importation of such goods as serve only for consumption purposes. This attitude of the Latvijas Banka was adopted more or less by the private banks, though some of the latter are still engaged in promoting import operations. This must be taken into consideration when borrowing money from the Government for, in the opinion of Government and social circles as to the foreign trade policy, it is not permissible to make the balance of trade worse than it is, by an irrational appropriation of State means.

The effect of the new credit policy was most noticeable towards the close of the past year. The very cautious nature of that policy caused some inconvenience to debtors in general, and to the farmers in particular, considering the bad harvest and the resultant lack of money. Although farmers generally pay little attention to protested bills and, in some cases, fail to pay promptly though able to do so, there are at the same time some debtors who really cannot settle their debts without experiencing great difficulty. Sooner or later, a number of our commercial undertakings will have to wind up their affairs. This is necessary, for the existing number is excessive.

Our refusal to encourage the further development of imports was based not only on the passiveness of our foreign trade, but also on the diminution of our foreign currency fund. Naturally, the amount of foreign currency in our market

is influenced by the results of our foreign trade. In the first half of the year, when the balance of foreign trade was passive to the extent of only 20·1 million lats, there was more foreign currency in the market, and the stocks thereof in the Latvijas Banka showed a rising tendency up to May 1,1926. But in the second half of the year, the passiveness of foreign trade attained 52·2 million lats and, consequently, the stocks of foreign currency in the Latvijas Banka fell from 38·1 million lats on May 1 to 27·9 millions on December 1. By limiting credits for import purposes, the Bank managed to augment its stocks of foreign currency to 30·8 million lats by January 1,1927.

The most important event in the Government's credit policy during the past year was the enactment reducing compulsorily the maximal loan rate to the level of 12% per annum, considering that successful activity in all branches of our economic life was impeded by expensive credit and by the normal low percentage of profit obtainable in stabilized economic conditions. Some financial circles feared that this measure would produce bad results, as for example a diminution of the Bank's resources and the withdrawal of foreign capital invested in Latvia. Now, it is gratifying to register the non-fulfilment of these ominous predictions; for bank deposits have not diminished and foreign capital has not been withdrawn from Latvia, because our rate of interest is still much higher than in other countries. Moreover, there is a tendency to lower the rate of interest everywhere.

State Finances.

At the close of the budget year 1925—26 the accounts presented a net surplus of Ls 1,483,986 in favour of the State. In the calendar year 1926, Revenue totalled 162·5 million lats, as against expenditure to the extent of 150·4 millions, showing an excess of the former over the latter of 12·1 million lats. The following were the principal items of State Revenue:

Customs duty ranked foremost with a sum of 49·7 million lats (comprising import duty to the extent of 45·8 million lats, and export duty amounting to 3·9 millions), or 30·6% of the aggregate Revenue. Monopolies rendered 31·1 million lats (the spirit monopoly 29·1 million lats, and the flax monopoly only two millions), i. e., 19·1% of the total revenue. Excise duty yielded 17·7 million lats (the excise on tobacco 11·1 million lats, on beverages 3·2 millions, and other excise dues 3·3 millions), i. e., 10·8% of the total. 19·8 million lats were rendered by taxation (Stamp duty 7·9 million lats, the trade and industry tax 4·5 millions, income tax 4·4, and real estate tax 3 million lats) or 12·2% of the aggregate revenue.

A comparison of State revenue with expenditure shows that the financial position of the State was satisfactory in 1926 and gave no cause to doubt the stability of our currency, though such doubts were expressed by certain circles in December last. In reality, there was no change whatever in the value of the lat, as the amount of issue was much less than the demand, and was covered practically to its full extent by gold and foreign currency, while the State budget rendered a surplus of revenue.

The following table shows the value of the lat in 1926 on the London and Berlin Exchanges, to both of which the greatest importance is attached:

	Rate of Exchange of the Lat in London.						Rate of Exchange of the Lat in Berlin.					
1926	5	10	15	20	25	30	5	10	15	20	25	30
January . .	25·24	25·24	25·24	25·22	25·22	25·23	80·70	80·50	80·40	80·30	80·50	80·45
February . .	25·21	25·22	25·21	25·23	25·20	25·17·5	80·45	80·60	80·70	80·80	80·90	80·90
March . . .	25·20	25·20	25·20	25·20	25·21	25·21	80·90	80·65	80·80	80·90	80·80	80·95
April	25·21	25·20	25·20	25·20	25·21	25·21	80·90	80·90	80·70	80·40	80·85	80·70
May	25·19	25·19	25·22	25·22	25·22·5	25·23	80·90	80·85	80·95	80·80	80·25	80·82·5
June	25·21	25·21	25·21	25·21	25·23	25·22	80·85	80·50	80·75	80·95	80·75	81·95
July	25·22	25·22	25·23	25·22	25·23	25·21	80·90	80·75	80·85	80·85	80·85	80·85
August . . .	25·21	25·21	25·20	25·22	25·21	25·18	80·85	80·80	80·75	80·80	80·72·5	80·83
September .	25·20	25·20	25·19	25·19	25·19	25·19	80·85	80·85	80·50	80·80	80·65	80·80
October . .	25·19	25·19	25·19	25·17	25·18	25·18	80·80	80·30	80·80	80·80	80·80	80·50
November .	25·18	25·18	25·18	25·17	25·17	25·17	80·85	81·00	81·00	81·00	81·00	80·86
December .	25·17	25·17	25·17	25·17	25·17	25·17	81·10	82·50	80·77·5	80·45	80·55	80·70

Latvian State debts on January 1, 1927 amounted to Ls 87,926,683. Thereof: Ls 57,150,750 being the war debt to Great Britain, and Ls 29,839,530 to the United States of America. The other amounts are inconsiderable, viz., Ls 530,730 internal loan, Ls 374,180 being Swedish commercial credits, and Ls 31,483, Finnish commercial credits. The latter items are, strictly speaking, not foreign debts, but really private credits guaranteed by the State. Such credits are not popular in this country, as their small extent implies.

The foreign indebtedness averages Ls 50 per head of the population in Latvia, which is a very small figure, compared with the debts of other European countries which average, in lats, as follows: 78 in Poland, 103 in Roumania, 105 in Estonia, 416 in Czechoslovakia, 1048 in Germany, 1081 in Italy, 2419 in France, and 4535 in Great Britain.

Although Latvia is in a favourable position in regard to State debts, the fact remains that the income of the Latvian population is considerably lower than that of the chief European nations. It averaged 480 lats in 1926, as against 580 lats in Italy, 756 in Germany, 958 in France, and 1260 in Great Britain.

Private Credit Institutions.

The balance sheets of our private credit institutions presented an aggregate of 255 million lats in 1926, as against 211·2 millions in the preceding year, showing an increase of 20·8%. The capital of these institutions rose from 34·3 to 38·2 million lats, i. e., by 11·2%; the reserve and special funds from 4·2 to 6·2 million lats, or by 46·8%; fixed deposits from 7·7 to 9·8 million lats, or by 27·6%; net demand deposits from 5·2 to 9·1 millions, or by 76·2%; current accounts from 38·9 to 47·1 million lats, or by 21·1%; rediscount in the Latvijas Banka from 31·2 to 35·6 millions, or by 14·1%; re-discount in other credit institutions from 3·1 to 4 millions, or by 31%; loans and special current accounts from 27·2 to 29·7 million lats, or by 9·2%. Thus the total amount of means rose from 151·8 to 179·7 million lats, or by 18·5%. Correspondents accounts decreased from 31·3 to 28 millions or by 11·6%, while the other passive accounts, as interests received, taxes and so forth increased from 28·1 to 47·3 million lats or by 68·1%.

Balance of private credit institutions on January 1st.

Assets (Ls, in thousands).

Accounts	1926	1927	Difference	Differ. in %
Cash	4,882	4,652	— 230	4·7
Current accounts in the Latvijas Banka	2,866	2,870	+ 4	0
„ „ in other credit institutions	2,472	3,050	+ 578	23·4
Foreign currency	1,595	2,220	+ 625	39
Bonds	1,961	2,745	+ 784	40
Discounted bills	58,112	70,292	+ 12,180	21
Loans	43,370	44,097	+ 727	0·17
Special current accounts	44,949	51,119	+ 6,170	13·9
Commercial Credits	3,420	3,418	— 2	0
Correspondents	19,694	21,738	+ 2,044	12·4
Protested bills	358	1,646	+ 1,288	360
Real property	10,993	13,481	+ 2,488	22·6
Sundries	16,541	33,637	+ 17,096	10·3
Total	211,213	255,045	+ 43,832	20·8

Liabilities (Ls, in thousands).

Accounts	1926	1927	Difference	Differ. in %
Capital	34,323	38,156	+ 3,833	11·2
Reserve fund & special reserve	4,241	6,215	+ 1,974	46·8
Fixed deposits	7,695	9,830	+ 2,135	27·6
Net demand deposits	5,173	9,114	+ 3,941	76·2
Current accounts	38,900	47,115	+ 8,215	21·1
Rediscount in the Latvijas Banka	31,171	35,572	+ 4,401	14·1
„ in other credit institutions	3,062	4,010	+ 948	31
Loans & spec. current accounts	27,221	29,735	+ 2,514	9·2
Correspondents	31,324	28,032	— 3,292	11·6
Sundries	28,103	47,266	+ 19,163	68·1
Total	211,213	255,045	+ 43,832	20·8

Thus, despite unfavourable economic conditions and the lack of circulating means in the past year, the various deposits showed an increase of nearly 28%, though fixed deposits increased but slightly. This is an evidence of the growing wealth of the population, as also of their confidence in our credit institutions, though the majority of clients prefer current accounts to fixed term deposits.

Deposits of all kinds (in private credit institutions, in the Latvijas Banka and in the section for current accounts at the Post Office) aggregated 110·2 million lats on January 1, 1926, from which amount 2·5 millions should be deducted, being the deposits of private credit institutions in the Latvijas Banka and vice versa. This leaves a balance of 107·7 million lats. But on January 1, 1927, the deposits in private credit institutions totalled 66·1 million lats, in the Latvijas Banka 52·4 millions, and in the Post Office 2·1 millions, altogether 120·6 million lats, less 2·5 millions reciprocal deposits, remainder 118·1 million lats, or 10·4 million lats, i. e., 9·7% more than in 1926.

The active operations of private credit institutions on January 1, 1926 constituted 71% of the total amount of balance sheets, as against only 66% on January 1, 1927. The resources of the credit iustitutions (179·7 million lats) exceeded their active operations (169·7 millions) by 10·7 million lats.

Of the chief active operations, cash alone showed a slight decrease from 4·9 to 4·7 million lats, i. e., by 4·7%. Current accounts in Latvijas Banka amounting to 2·9 million lats, and the letters of credit 3·4 millions remained practically unchanged. But the other accounts increased more or less considerably: current accounts in other credit institutions rose from 2·5 to 3·05 million lats, or by 23·4%; foreign currency from 1·6 to 2·2 millions, or by 39%; bonds from 2 to 2·7 millions or by 40%; discounted bills from 58·1 to 70·3 million lats or by 21%; loans from 43·4 to 44·1 millions or by 0·17%; special current accounts from 44·9 to 51·2 millions, or by 13·9%; correspondents accounts from 19·7 to 21·7 millions or by 12·4%; real estate from 11 to 13·5 millions or by 22·6%, other active items from 16·9 to 35·2 millions. The total sum of loans of all private credit institutions increased from 149·9 to 169 million lats or by 12·8%.

Up to January 1, 1926, the loans granted by State and private credit institutions and deposit banks totalled 264·8 million lats, not including reciprocal loans. But on January 1, 1927, the loans of all private credit institutions amounted to nearly 169 million lats, the loans of lombards 2·1 millions, and of private mortgage societies 1·6 million lats, presenting altogether an aggregate of 172·7 million lats, less 69·3 millions being loans of Latvijas Banka and reciprocal items, remainder 103·4 million lats. The loans of the State banks and institutions amounted to nearly 233·9 million lats, but together with the above mentioned private loans,— 337·5 million lats. The increase last year amounted to 72·5 million lats or 27·4%.

Thus, in the past year, loans in Latvia increased by 72·5 million lats, but deposits by only 10·4 millions.

Of the various groups of credit institutions in Latvia, joint-stock banks are the most important, their resources amounting to 80·9 million lats or 45% of the aggregate resources of all our credit institutions. Their deposits totalled 34·3 million lats, i. e., no less than 52% of the aggregate deposits of our private credit

institutions. In the past year, their balance sheets showed an increase of 21·7%, while their capital increased by 8·8%, reserve and special capital by 12·4%, deposits by 30·4%, discounted bills by 23·4%, special current accounts by 11·1%. All the more important accounts showed an increase, with the exception of letters of credit which remained unchanged, and loans which decreased by 23·1%.

Balance of private credit institutions on January 1st.
Assets (lats, in thousands).

Accounts	Joint-Stock Companies		Exchange & Town Banks		Mutual Credit Societies		Loans & Savings Banks	
	1926	1927	1926	1927	1926	1927	1926	1927
Cash	2,382	2,454	692	464	559	504	1.249	1,230
Current accounts in the Latv. Banka	1,408	1,108	474	585	241	417	743	760
Current accounts in other credit institutions	863	896	2	10	625	670	982	1,474
Foreign currency	1,369	2,076	193	87	33	50	—	7
Bonds	1,430	1,870	82	94	163	190	286	591
Discounted bills	23,132	28,535	4,971	5,749	13,330	15,152	16,679	20,856
Loans	4,602	3,539	966	1,381	1,925	1,788	35,877	37,389
Special current accounts	40,674	45,186	2,121	2,563	1,870	2,152	284	1,298
Loans on goods	3,395	3,398	25	9	—	11	—	—
Correspondents	14,866	18,292	4,061	2,216	565	722	202	508
Protested bills	69	707	4	33	65	283	220	623
Real property	5,792	6,576	1,027	1,027	1,726	2,946	2,448	2,932
Sundries	12,687	22,508	1,142	2,544	588	2,999	2,124	5,586
	112,669	137,145	15,760	16,762	21,690	27,884	61,094	73,254

Balance of private credit institutions on January 1st.
Liabilities (lats, in thousands).

Accounts	Joint-Stock Companies		Exchange & Town Banks		Mutual Credit Societies		Loan & Savings Banks	
	1926	1927	1926	1927	1926	1927	1926	1927
Capital	24,255	26,400	2,180	2,182	2,012	2,379	5,876	7,195
Reserve Fund & special reserve	1,697	1,937	123	125	461	1,893	1,960	2,260
Fixed deposits	2,330	2,518	1,784	671	590	1,538	2,991	5,103
Net demand deposits	1,027	1,509	123	159	1,395	1,167	2,628	6,279
Current accounts	22,932	30,262	4,960	4,598	6,011	6,078	4,997	6,177
Re-discount in the Latvijas Banka	7,073	7,583	2,555	3,154	6,193	6,900	15,350	17,935
„ „ other credit institut.	1,908	2,752	—	—	52	59	1,102	1,199
Loans & spec. current a/c.	4,988	7,919	218	1,091	2,607	2,552	19,408	18,173
Correspondents	29,042	24,555	1,906	2,280	376	455	—	742
Sundries	17,417	31,710	1,911	2,502	1,993	4,863	6,782	8,191
Total	112,669	137,145	15,760	16,762	21,690	27,884	61,094	73,254

The activity of joint-stock banks was somewhat more intensive in 1926. Their active operations represented 92% of their total resources at the beginning, and 93% at the end of the year. These operations represented 64% of the balance

sheet at the beginning, and 60% at the end of the year. The liabilities of the joint-stock banks rose from 65 to 75·9 million lats during the year, though cash and easily realizable values increased from 16·5 to 17·7 millions only in the same period.

The Exchange and town banks showed comparatively the least development in 1926. The total of their balance sheets increased by only 6·5% during the year, their capital showed practically no increase, while deposits decreased by 1·4 million lats, or by 21%. Their aggregate resources decreased from 13·8 to 12·1 million lats, while loan operations rose from 8·1 to 9·5 millions. On the whole, they operated more intensively, as is evident from a closer examination of their balance sheets and the resources at their disposal. Their liabilities increased from 10·5 to 11·5 million lats, while cash and easily realizable values declined from 4·8 to 2·9 million lats.

The mutual credit societies present the most substantial increase in regard to the total of balance sheets, viz., 28·6% in the past year. Their capital increased by nearly 18%, reserve capital by no less than 311%, but deposits by 9·8% only. Their aggregate means rose from 19·3 to 22·6 million lats, or by 17%, and their loan operations from 17·1 to 19·1 million lats or by 12%. The liabilities increased from 18·5 to 19·9 million lats, but cash and easily realizable values from 5·4 to 6·2 millions only.

In respect of the total of their balance sheets, the loan and savings banks rank second, after the joint-stock banks. Their balance sheets increased by 19·9% in 1926, capital by 22·5%, reserve capital by 15·6%, deposits by 66%. Their aggregate means increased from 54·4 to 64·3 million lats or by 18%, but loan operations from 52·8 to 59·5 millions only, i. e., by 13%. On the whole, their activity was less intensive, in comparison with the amount of their resources and the total of their balance sheets. Liabilities rose from 52·2 to 56·5 million lats or by 10%, while cash and easily realizable values increased from 7·4 to 9·3 millions, or by 17%.

Our credit institutions operated only in part with their own means, but supplemented the latter with funds received from the Latvijas Banka and, to a small extent, from other private banks.

	Own means		Latvijas Banka		Other credit institut.	
	Ls, in mill.	%	Ls, in mill.	%	Ls, in mill.	%
Joint-stock banks	62·6	77	12·3	15	6·0	8
Exchange & town banks	7·7	65	4·2	35	0·0	0
Mutual credit societies	13·1	58	9·4	42	0·1	0
Loans and savings banks	27·0	42	35·9	56	1·5	2

Complete statistical data are not yet available for ascertaining the results of the activities of all our credit institutions in the year 1926; but such data are to hand for the principal group, viz., the joint-stock banks. Seventeen of these present a total net profit of 1·6 million lats, while three establishments sustained losses aggregating 1·3 millions, so that the total profit of all our joint-stock banks

amounted to only 0·3 million lats, which is very small, compared with the net profit achieved in previous years: 1·2 million lats in 1923, 2 millions in 1924 and 2·3 millions in 1925. The unsatisfactory result registered last year was not due to general banking conditions, but to accidental losses. The total amount of dividends has not diminished to such an extent as that of net profit, because nearly all the joint-stock banks worked profitably, and dividends were declared by 14 of them. Dividends totalled 0·7 million lats in 1923, 1 million lats in 1924, 1·2 millions in 1925, and 0·8 million lats in 1926. The dividends of our joint-stock banks vary between 2% and 12% of the aggregate capital.

BRANCHES OF THE LATVIJAS BANKA IN LATVIA.

EXECUTING ALL BANKING OPERATIONS:

Cēsis (Wenden)	Manager	*M. Bērziņš.*
Daugavpils (Dvinsk) . . .	„	*V. Oglevics.*
Jelgava (Mitau)	„	*J. Lecis.*
Liepāja (Libau)	„	*A. Dumpe.*
Rēzekne (Reshitsa)	„	*J. Millers.*
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Ventspils (Windau)	„	*A. Neretnieks.*

EXECUTING ALL INLAND BANKING OPERATIONS:

Bauska	Manager	*J. Indus.*
Kuldīga (Goldingen) . . .	„	*K. Pinkovskis.*
Tukums	„	*Kr. Vītols.*

OPERATIONS OF WHICH ARE LIMITED:

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Alūksne (Marienburg) . .	„	*J. Adlers.*
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Jaunjelgava (Friedrichstadt)	„	*Ž. Fogelmanis.*
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Madona	„	*P. Apsītis.*
Rūjiena.	„	*V. Leimanis.*
Saldus (Frauenburg) . . .	„	*F. Gailis.*
Smiltene	„	*E. Apse.*
Talsi	„	*F. Grinvalds.*
Valka	„	*J. Ķimins.*

FOREIGN CORRESPONDENTS

OF THE

LATVIJAS BANKA.

France:

Société Générale	Paris
Banque de Paris et des Pays-Bas	„
Comptoir National d'Escompte de Paris	„
Crédit Lyonnais	„
American Express Company Inc.	„

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Dresdner Bank	„
Berliner Handelsgesellschaft	„
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Commerz & Privatbank	„
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U. S. S. R.:

State Bank of the U. S. S. R.	Moscow
„ „ „ „ „ „ „ „	Leningrad
„ „ „ „ „ „ „ „	Minsk

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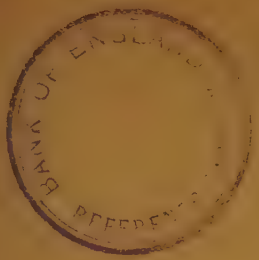

LATVIJAS BANKA

BANK OF LATVIA

1927

LATVIJAS BANKA.
BANK OF LATVIA.

REPORT
FOR
1927.

1928.

PRINTED AT THE STATE PRINTING-OFFICE.

ADMINISTRATION OF THE LATVIJAS BANKA.

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ADOLFS BĻODNIEKS — Member of the Saeima.
EDUARDS EICHMANIS.
MARKUS GAILĪTIS — Member of the Saeima.
AUGUSTS GRŪBE — Member of the Riga Exchange Committee.
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VILIS BANDREVIČS — *Deputy Director General.*
ERNESTS OZOLIŅŠ — *Director.*
JĀNIS STALBOVS — *Director.*
STANISLAVS KAMBALA — *Director.*

LATVIJAS BANKA.

BANK OF LATVIA.

1927.

UDGING from the improved balances of foreign trade and of payments, the economic situation in Latvia in the past year was more satisfactory than in the two preceding years, when there was an abnormal growth of imports. The reduction of the rate of interest on loans, which took place at the beginning of the year, had a favourable effect on local industries, which were thereby accomodated with cheaper credit. Towards the end of the year, many voices were raised in favour of a further cheapening of credits. The result was that all the State credits and a portion of private credits became considerably cheaper, thus easing the position of debtors. This testifies to the stabilization and development of Latvian economic conditions, though the same cannot be said of the country's principal economic branch — Agriculture.

The harvest, which seemed insufficient already in 1926, yielded still more unsatisfactory results last year. The value of produce aggregated 274 million lats, as against 283 millions in 1926 and 337 millions in 1925. In comparison with the preceding year, the position of the farmers has not improved to any marked extent, though a less pessimistic view is taken of the situation than a year ago, when the sudden and unexpected change for the worse warranted the fear of an impending crisis. Fortunately, however, there occurred no general economic crisis, for there was no overproduction in Latvia at that time, nor is there such at present.

The fear of a general crisis has been dispelled. We are, however, confronted with the more or less important difficulties experienced in certain economic branches. For example, agriculture is not sufficiently profitable, owing to heavy taxation, the high cost of labour and the high rate of interest on loans, which adverse circumstances have aggravated the already difficult position of the farmers. However, the new loan rates coming into force this year make agriculture more remunerative and tend to relieve the tension in this important branch of domestic activity. Furthermore, a considerable importance attaches to the satisfactory development of stock farming and dairying in this country. These branches of rural activity are in no wise impeded. In fact, despite their steady progress, it has not yet been possible to produce as much butter as is necessary to cope with the demand abroad. The prices of this commodity are generally satisfactory.

The industries operated with increasing success in the past year. They continued, on the one hand, to oust foreign competitors from the local market and, on the other, to gain access to foreign markets for their output. This is proved by the decreased import of manufactured goods from 131·4 million lats in 1926 to 114·7 millions in 1927, and by the increased export of the same from 37·1 million lats in 1926 to 40·3 millions last year, excluding the extraordinarily increased export of timber materials (from 41·1 million lats in 1926 to 80 millions

Balance Sheets of the
(in thousands
The first line of each item shows the situation

ASSETS

Accounts	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
1. Cash	14027	17065	12310	11118	12386	15418	15483	14521	14010	13044	14074	12942
	17652	13779	14179	15845	17612	16750	16737	16432	16401	14778	14882	15033
	14230											
2. Gold coin	959	961	963	967	976	979	989	998	1010	1016	1020	1022
	1015	1019	1025	1030	1040	1047	1034	1040	1050	1059	1065	1067
	1077											
3. Bullion	22602	22602	22602	22602	22602	22602	22602	22602	22602	22602	22602	22602
	22603	22603	22603	22603	22603	22603	22603	22603	22603	22603	22603	22603
	22603											
4. Foreign currency	503	211	293	195	231	289	450	389	297	290	302	352
	173	287	392	531	705	811	795	1033	1077	1136	1285	1376
	1350											
5. Foreign drafts	8758	9580	9732	10484	11381	12410	13692	14194	14962	13446	9977	8386
	9349	9586	10559	6326	5554	4386	3188	3318	3225	2639	2156	2536
	2836											
6. Foreign currency abroad	19706	15239	22131	24364	26587	24871	21024	21669	20230	20546	20163	19201
	21270	21103	19077	23131	24876	27625	26357	27089	37383	43341	47140	47546
	47725											
7. Bonds	52	56	62	60	62	60	53	59	58	56	61	61
	130	309	546	832	993	1174	1404	1583	1723	1998	2157	2203
	2461											
8. Discounted bills	63360	63521	66087	71825	68325	67480	67719	67266	68145	69527	70839	70826
	71352	70304	71209	71986	72210	71453	70315	69559	69992	70580	70529	73017
	77927											
9. Spec. secured curr. a/c.	32757	32782	33023	33335	33464	32412	32505	32554	34073	34352	35194	36887
	37956	37482	38074	41497	41575	41498	41966	41185	40226	39759	39408	36681
	40095											
10. Loans on security	11740	11725	11481	11506	11457	11533	11609	11612	11565	11650	11894	12162
	11657	11135	10973	10919	10873	10672	10354	10209	10206	10097	10025	9911
	9765											
11. Commercial credits	6488	6165	6612	6641	6718	6241	6098	5546	5225	4792	5330	5688
	4191	4251	4541	4216	4073	4412	5364	4507	4591	3346	3404	3425
	3246											
12. Inland bills for collect.	6133	6716	7371	7287	7967	6438	6032	6409	6272	6418	6920	6940
	6805	9411	9566	6810	6829	6528	5349	5308	5557	5689	6333	6525
	—											
13. Real estate & furniture	514	525	537	542	546	550	551	554	567	582	605	616
	562	569	575	586	592	597	618	712	715	718	723	727
	647											
14. Transitory sums	28	30	52	41	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
	—											
15. Current expenditure	—	145	293	519	665	807	953	1109	1258	1406	1556	1728
	—	155	309	473	685	771	976	1142	1293	1454	1718	1897
	—											
16. Interest paid & reserved	—	152	304	469	643	787	920	1130	1297	1463	1647	1835
	—	177	354	536	712	885	1095	1259	1440	1454	1834	2035
	—											
17. Branches & Head Office	34747	34068	33154	33415	31352	31813	31830	31728	30699	31029	31269	31601
	34353	33198	33429	34909	35837	34703	35521	34371	32669	33109	33201	32153
	33115											
18. Sundry assets	1676	2079	1776	1593	2656	1516	1571	1697	1667	2021	2018	1625
	2195	2075	2224	2125	2220	1621	1809	1938	2272	3753	3916	4077
	3699											
	224050	**223622**	**228783**	**236963**	**238018**	**236206**	**234081**	**234067**	**233937**	**234240**	**235471**	**234474**
	241263	**237443**	**239629**	**244355**	**248989**	**247266**	**245485**	**243288**	**252423**	**257698**	**262377**	**262812**
	260776											

Latvijas Banka.
of lats)
in 1926, the second — in 1927, the third — in 1928.

LIABILITIES

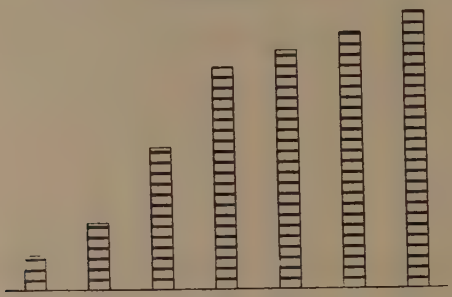
Accounts	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
1. Capital	11659	11659	11659	11659	13447	13447	13447	13447	13447	13447	13447	13447
	13447	13447	13447	13447	13447	14385	14385	14385	14385	14385	14385	14385
	14385											
2. Reserve Fund	1522	1522	1522	1522	2237	2237	2237	2237	2237	2237	2237	2237
	2237	2237	2237	2237	2237	2612	2612	2612	2612	2612	2612	2612
	2612											
3. Special Reserve	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500
	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500
	2500											
4, Notes in circulation	28634	26880	28592	30120	29541	29317	29567	29851	30368	31576	30330	30646
	31476	28369	29804	29493	28377	27602	27923	27868	28591	30361	31650	33482
	37347											
5. Fixed deposits	3559	3649	3650	4281	4583	4592	4636	5048	4787	4897	4978	8620
	10626	10719	10593	10607	10561	10495	8180	7625	7329	7259	7258	4931
	5098											
6. Net demand deposits	3501	3530	3563	3656	3723	3855	3907	4056	4125	4154	4191	4197
	4327	4454	4566	4581	4635	4740	4881	5136	5199	5252	5214	5263
	5549											
7. Current accounts	37963	34886	35026	31443	35089	35960	32698	33754	34157	35813	34304	32468
	32117	35044	33871	28064	30615	29174	30809	35187	39682	45953	44481	42818
	44858											
8. Current a/c. in foreign curr.	7941	7898	7081	7534	7181	6023	5966	6505	6421	6303	6856	6138
	5347	5004	4929	4878	5035	4906	4926	5194	5260	5362	5178	4984
	5055											
9. Correspondents	795	764	3415	4824	4608	4378	4455	4340	4518	3303	3265	3297
	3376	3440	2070	736	610	546	603	506	542	561	635	694
	557											
10. Remittances not paid	269	104	54	61	117	145	77	68	50	62	57	81
	72	46	30	52	53	72	59	103	65	70	26	149
	72											
11. Credited collections	6133	6716	7371	7286	7967	6439	6032	6409	6272	6418	6920	6940
	6805	9411	9566	6810	6829	6258	5349	5308	5557	5689	6333	6525
	—											
12. Transitory sums	1919	2167	3728	2430	2918	3354	3622	3726	3168	4198	5548	3686
	9205	3349	1585	2680	3750	2709	3450	878	1436	624	1332	4173
	3502											
13. Interest of the current year received	—	1108	1559	3243	3786	4314	5963	6432	6965	8757	9169	9455
	—	1158	1588	3240	3739	4209	5862	6347	6790	8298	8759	9126
	—											
14. Commission	—	54	96	206	284	339	441	504	607	720	773	825
	—	51	111	269	326	390	492	538	598	692	755	828
	—											
15. Branches & Head Office	34747	34750	33907	33869	32530	32432	32697	32633	31844	31675	32134	32458
	34353	33712	34410	35618	36544	35674	35529	34917	34351	33517	33962	32978
	33115											
16. Exchequer	2487	3791	4954	—	5993	3469	2545	1736	2898	4299	3758	1558
	3840	3441	2975	—	1820	4789	1357	411	813	2551	3425	2559
	6100											
17. Govern.deposits& spec.funds	72359	74313	72798	85155	81310	83222	79493	80596	79335	73619	74705	75339
	76824	77132	81398	95280	93872	95803	96025	93248	96248	91436	93123	93776
	94398											
18. Sundry liabilities	8062	7331	7308	7184	204	183	198	195	245	262	297	583
	4711	3929	3949	3863	4039	402	539	525	465	576	749	1029
	5628											
	224050	**223622**	**228783**	**236963**	**238018**	**236206**	**234081**	**234037**	**233937**	**234240**	**235471**	**234474**
	241263	**237443**	**239629**	**244355**	**248989**	**247266**	**245485**	**243288**	**252423**	**257698**	**262377**	**262812**
	260776											

last year). The increased export of timber contributed most largely to the improvement of Latvian foreign trade. Internal trade has not improved, owing to too keen competition and the limited purchasing power of consumers.

The reduction of loan rates and the increased amount of long term loans helped last year to normalize conditions in the internal money market. The circulation of money increased considerably at the end of the year, owing to the purchase by Latvijas Banka of the large sums of foreign currency offered. Consequently, the resources at the disposal of the population increased.

The turnover of the Bank's operations last year increased nearly in the same proportion as in the preceding year, only the increase took place mainly in autumn in conjunction with the influx of foreign currency. The Bank's balance sheet was footed with 241·3 million lats on January 1, 1927, and rose to 260·8 millions by January 1, 1928. The increase of the Bank's balance sheet from month to month is portrayed in the table on page 6 and 7. It should be observed, however, that whereas bills and documents for collection were included in the monthly statements formerly, this practice has been abandoned since January 1 of this year. If these are deducted from the balance sheet of January 1, 1927, the total of the latter decreases to 234·5 million lats, and the actual increase last year is found to be over 10%.

Balances

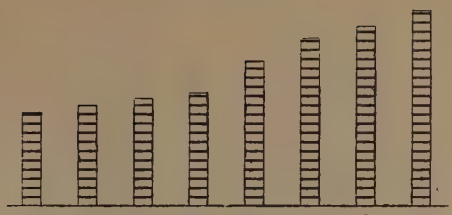


	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Lats, in millions:	32·5	63·0	133·7	209·1	224·1	241·3	260·8

As the Bank's activities develop in proportion to the resources at its disposal, the condition of these resources in the past year may be considered at first. The resources at the disposal of Latvijas Banka consist of its own capital, the issue of banknotes, deposits and current accounts, State sums and various smaller items.

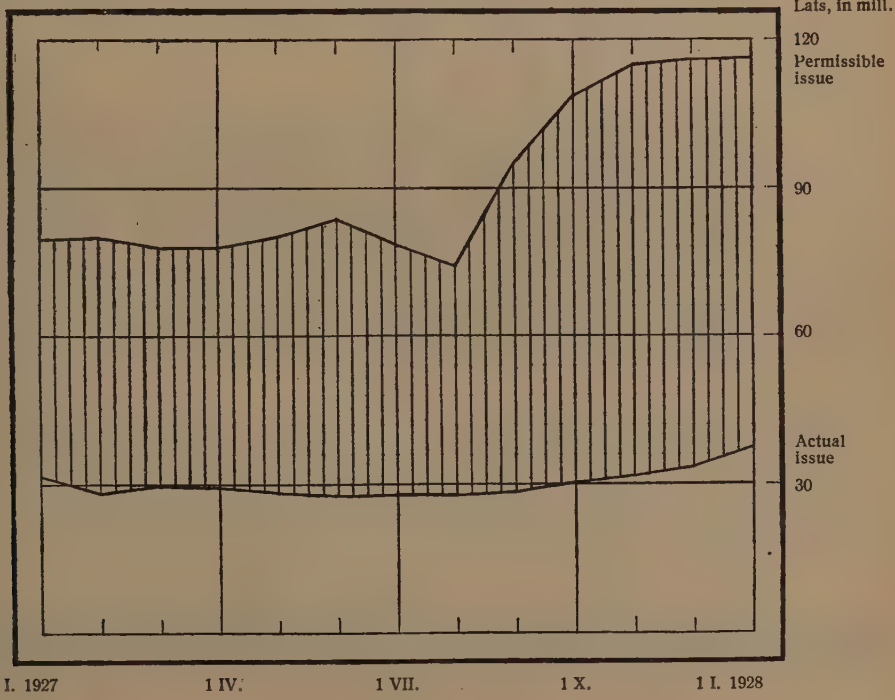
The capital of the Bank totalled Ls 13,446,905·58 at the beginning of last year. To this was added 25% of the net profit of 1926, bringing it up to Ls 14,385,276·42. The Bank's reserve fund amounted to Ls 2,236,778·67 at the beginning of the year, and was augmented to Ls 2,612,127 by the addition of 10% of the net profit of 1926. The special reserve fund remained unchanged at Ls 2,500,000 in the past year. So that capital aggregated Ls 19,497,403·42 at the end of the year, as against Ls 18,153,686·25 at the beginning, showing an increase of 1·34 million lats. The capital resources of the Bank have increased as follows since its foundation:

Capitals.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1928
Lats, in millions:	10·1	10·9	11·6	12·2	15·7	18·2	19·5	21·2

The issue of banknotes increased from 31·5 to 37·3 million lats or by nearly 6 million lats in the past year. It is noteworthy that, in the first half of the year, the issue was not increased, but even decreased by $3^1/_2$ million lats. The increase took place only in the second half of the year, in consequence of the large purchase of foreign currency which was more than double the increase of issue. Obviously, this was rendered possible by the other resources at the Bank's disposal. The following diagram shows that the increase of issue was very moderate in 1927, as compared with the increase of security:



In comparing these figures, it should be borne in mind that since August 1, 1927, foreign drafts have no longer been added to the cover of issue, so that the actual increase is by several million lats larger than indicated in the above diagram. After deducting foreign drafts, we find that on January 1, 1927 the issue of banknotes to the extent of 31·5 million lats was covered by 30·3 million lats in gold and foreign currency plus 30·3 million lats in short term bills discounted, which present a total cover of 60·6 million lats. Thus, the permissible but not utilized issue amounted then to 29 million lats. A year later, on January 1 of this year, the issue of 37·3 million lats was covered by 58 million lats in gold and foreign currency. And if to this we add short term bills discounted for a like amount, the available cover aggregates about 79 million lats. It has increased by 50 million lats in the space of one year. In the following table the cover of issue is depicted up to July 1, 1927 together with foreign drafts, but since August 1— without them.

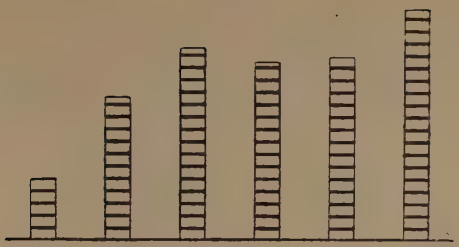
The Cover of Issue.

Year, month and day	Banknotes in circulation Ls	Items of cover				%/% of the issue	Permissible issue (statutes § 13) Ls	Permissible, but not utilized issue Ls
		Gold and foreign currency Ls	%/% of the issue	Short term bills as cover of issue (statutes §13) Ls	Total cover of issue Ls			
1927								
January 1 .	31,475,700	39,677,046	126·37	71,351,479	111,028,525	352·74	79,354,092	47,878,392
February 1	28,368,940	39,865,588	137·00	70,303,717	110,169,305	388·34	79,731,176	51,362,236
March 1 . .	29,804,100	38,918,677	130·58	71,209,375	110,128,052	369·51	77,837,354	48,033,254
April 1 . . .	29,493,300	38,887,762	131·85	71,985,504	110,873,166	375·93	77,775,524	48,282,224
May 1 . . .	28,377,220	40,045,374	141·47	72,210,366	112,255,740	395·59	80,090,748	51,713,528
June 1 . . .	27,602,370	41,738,326	151·58	71,452,960	113,191,286	410·08	83,476,652	55,874,282
July 1 . . .	27,922,770	39,242,673	140·54	70,315,458	109,558,131	392·36	78,485,346	50,562,576
August 1 .	27,868,170	37,021,270	132·85	72,876,303	109,897,573	394·35	74,042,540	46,174,370
September 1	28,591,830	47,380,238	165·08	73,217,307	120,597,545	421·79	94,760,476	66,168,646
October 1 .	30,361,260	54,306,034	178·87	73,218,521	127,524,555	420·03	108,612,067	78,250,807
November 1	31,650,680	57,359,011	181·22	72,684,935	130,043,946	417·19	114,718,022	83,067,342
December 1	33,482,090	57,859,458	172·21	75,553,216	133,412,674	363·85	115,718,916	82,236,826
1928								
January 1 .	37,346,600	58,022,488	155·36	80,762,816	138,785,304	371·61	116,044,977	78,688,377

Remark: Since August 1, 1927, foreign drafts are added to discounted bills, and not to foreign currency.

Throughout the Bank's existence, the issue of its notes has developed gradually, as the following diagram shows, whereby it has always been in due proportion to the increase of the Bank's reserves.

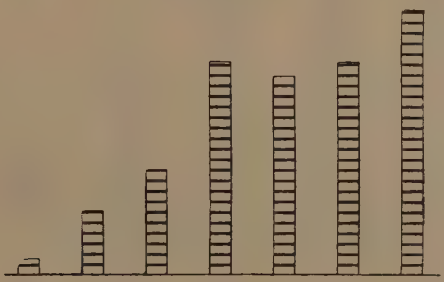
Issue.



	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Lats, in millions:	9·8	23·0	30·9	28·6	31·5	37·3

The largest item of the Bank's resources consists of various State sums. The corresponding items of the balance sheet „State deposits and special sums" and „Exchequer" increased from 80·7 to 100·5 million lats in the past year. The following diagram shows their development during the entire period of the Bank's existence:

State sums.



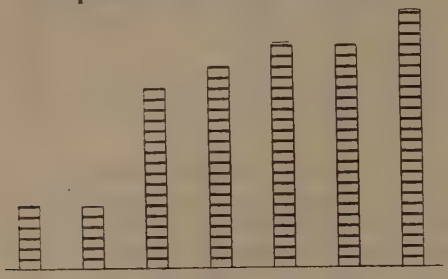
	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Lats, in millions:	6·0	24·3	39·6	80·9	74·8	80·7	100·5

These are, however, not the total State means at the Bank's disposal. For nearly three-fourths of the Bank's current accounts belong to State institutions and autonomous enterprises (36·3 million lats on January 1, 1928). The same applies to a large part of the deposits (2·6 million lats on January 1, 1928). Thus, as a matter of fact, the State owned about 140 million lats in the Bank on January 1, 1928, or nearly two-thirds of the Bank's total resources. Obviously, the movement of State sums must exercise a marked influence on the activities and the credit policy of Latvijas Banka.

In comparison with the large State sums, the current accounts of private persons, enterprises and credit institutions (13·6 million lats on January 1, 1928) and their deposits (8·1 million lats on the same day) altogether 21·7 million lats,

are of little significance. There is no abundance of private capital in Latvia, and the available means are employed in various enterprises instead of being deposited in credit institutions. Notwithstanding this, these sums present a certain increase in the balance sheet of Latvijas Banka. The aggregate State and private deposits and current accounts increased from 52·4 to 60·5 million lats last year. Their development since the Bank's foundation is portrayed by the following diagram.

Deposits and Current Accounts.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Lats, in millions:	14·9	14·7	42·5	47·5	53·0	52·4	60·5

The various kinds of deposits and current accounts varied in their development last year. Fixed deposits decreased from 10·6 to 5·1 million lats owing to the transfer of State sums to other accounts. At the same time, however, net demand deposits increased from 4·3 to 5·5 million lats. Current accounts increased more perceptibly (from 32·1 to 44·9 million lats), while current accounts in foreign currency decreased slightly (from 5·3 to 5·1 million lats).

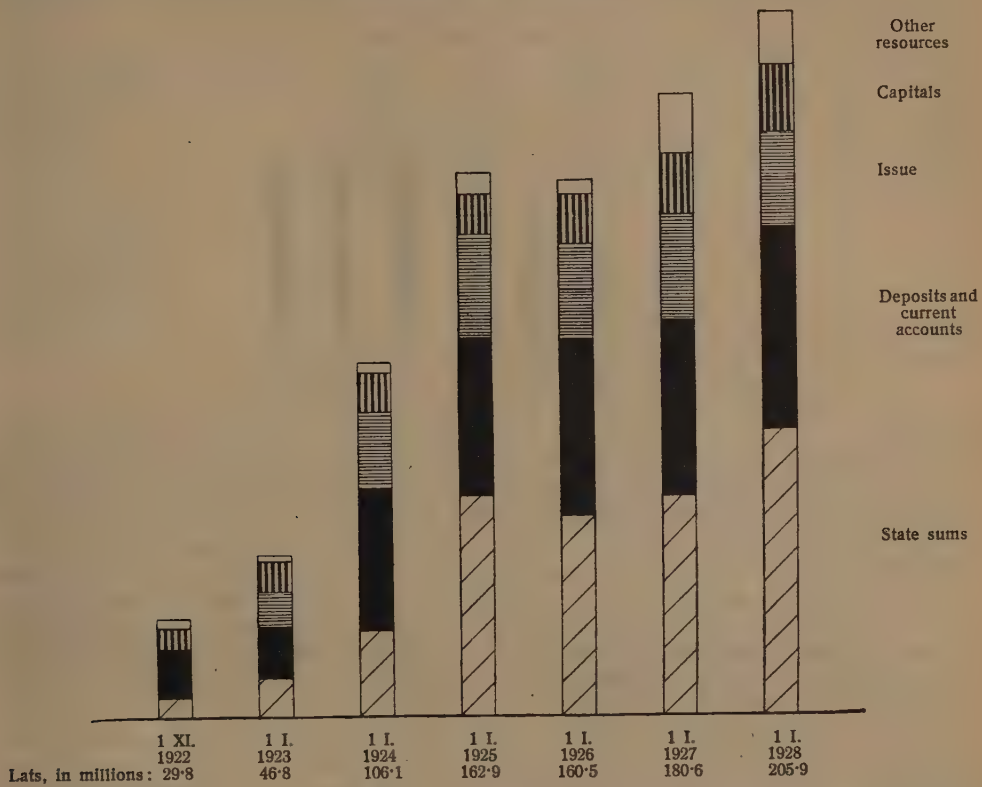
While the rates of interest paid by the Bank on deposits and current accounts remained unchanged, the rates on loans have been lowered considerably. The Bank pays the following rates of interest on deposits:

On current a/c. deposits	4%
„ net demand deposits	5%
„ fixed deposits, up to 6 months	5%
„ „ „ over 6 months	6%
„ current a/c. in foreign currency	1·5—2%
„ bills paid at least 15 days before the stipulated term, the Bank refunds discount	4%

The aggregate resources of the Bank increased from 180·6 to 205·9 million lats last year, or by nearly 25 million lats, as against an increase of 20 millions in the preceding year. As already observed, the largest contribution to this increase (nearly 20 million lats) was rendered by State sums (deposits and current accounts contributing 8 million lats, the emission 6 millions and the Bank's own capital 1·5 million lats). A slight decrease is registered in some of the smaller

items of the Bank's resources. The following classification of the Bank's resources is of interest:

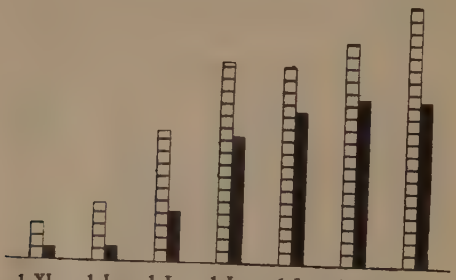
Distribution of Resources.



In examining the utilization of the Bank's resources, our attention is drawn to its credit policy. In general, this credit policy has continued in the same resolute direction as was entered upon at the end of 1926. This policy has proved to be well adapted to local economic conditions and has enhanced the improvement of the Latvian balances of foreign trade and of payments. This policy was elucidated in the Bank's Report for 1926 and in its quarterly "Economic Review". It therefore suffices here to state briefly the fundamental principles of this credit policy. The Bank readily accomodates with credit the productive economic branches, so as to facilitate their development and promote export. The Bank refrains from crediting imports which are not absolutely essential, i. e., imports which do not fall in the category of raw materials and auxiliary means for the requirements of Latvian industry and agriculture. The Bank withholds credit from undertakings which do not directly promote local production, or which

have no natural foundation in Latvia. On the other hand, the Bank does not limit but, in proportion to the security offered, even increases the credit to solid enterprises which produce goods for local consumption or for export purposes.

Resources and Loans.



		1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Resources	Lats, in millions:	29·8	46·8	106·1	162·9	160·5	180·6	205·9
Loans		9·8	11·5	40·8	102·7	123·1	134·5	133·8

In general, the credits granted by Latvijas Banka may be augmented only in so far as they are actually essential to rational and successful production. In conjunction with the private banks, Latvijas Banka is able to cope with the entire demand for short term credits. The amount of bills in circulation at present even exceeds the actual requirement, as is proved by the accumulation of free resources in some of the larger private and communal credit institutions. A sudden increase of short term loans would not promote production, but would (as was observed in former years) increase the consumption of goods on credit and the import of foreign goods for such consumption. Consequently, the question of short term credits may be regarded as settled.

The Bank's resources increased in the second half of last year, and are continuing so in the current year. This fact, in conjunction with the simultaneous increase of the Bank's stable reserves, allows the Bank to augment its loan operations. This the Bank does cautiously, adhering to the principles of its credit policy and in keeping with its solicitude for the stability of Latvian currency. Experience shows that the greatest care is necessary in granting credits. Therefore, in the past year, the Bank did not allow its active operations to develop as rapidly as its resources increased. The following table shows the relation of operations to resources, in percentages:

on January 1, 1926	71%
" " " 1927	69%
" " " 1928	64%

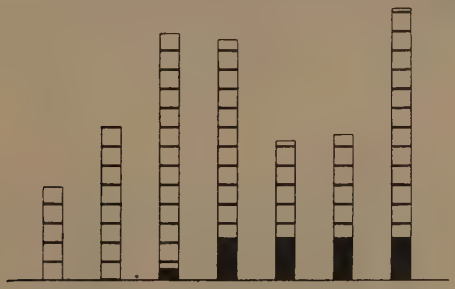
The development of the Bank's resources and loans, since its foundation, is shown in the following table:

Resources in use and Loans of the Latvijas Banka
(lats, in millions).

	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Resources:							
Government deposits & Exchequer	6·0	11·5	25·9	66·2	60·1	66·0	85·8
Deposits & current accounts	14·9	14·7	42·5	47·5	53·0	52·4	60·5
Banknotes	—	9·8	23·0	30·9	28·6	31·5	37·3
Own capital	6·1	8·9	11·6	12·2	15·7	18·2	19·5
Other resources	2·8	1·9	3·1	2·1	3·1	12·5	2·8
Total	29·8	46·8	106·1	162·9	160·5	180·6	205·9
Loans:							
Discounted bills	5·6	6·1	20·1	36·9	63·4	71·4	77·9
Foreign drafts	0·2	1·0	2·1	6·1	8·8	9·3	2·8
Special current accounts	2·9	3·0	12·4	37·8	32·7	38·0	40·1
Loans on security	0·7	0·8	4·9	10·4	11·7	11·6	9·8
Commercial credits	0·4	0·6	1·3	11·5	6·5	4·2	3·2
Total	9·8	11·5	40·8	102·7	123·1	134·5	133·8

As the Bank did not employ its increased resources for new loan operations, and as the balance of trade was rather favourable throughout the year and led to a large influx of foreign currency, the Bank was able to increase considerably its stable reserves, viz., the stocks of foreign currency. The latter were more than doubled in the past year, having increased from 21·4 to 49·1 million lats. And as the influx of foreign currency continued at the beginning of the current year, the stocks of the same in the Bank have grown larger than ever, and attained the sum of 73 million lats in the month of May 1928. The stocks of gold, which the Bank does not deem it necessary to augment as they bear no interest, have remained nearly the same as a year ago, about 8·9 million lats (deducting 14·7 million lats belonging to the State from the total sum of 23·6 millions). The development of the Bank's stable reserves since its foundation has been as follows:

Gold and Foreign Currency.



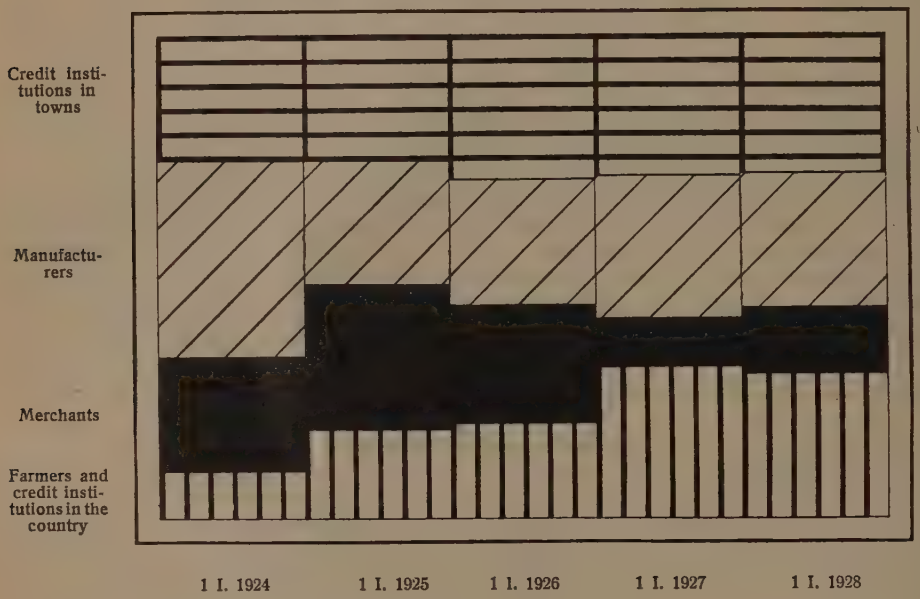
	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Foreign currency (lats, in millions)	19·3	31·6	48·3	41·2	20·2	21·4	49·1
Gold " " "	0·1	0·2	3·0	8·9	8·9	8·9	8·9

The stable reserves are of vast importance. They consolidate the Bank's position, enabling the Bank to increase the issue of banknotes and, in case of a passive balance of payments, they help to cover the deficit, at the same time providing adequate and legitimate cover for banknotes. In the event of graver emergencies, the gold and foreign currency reserves are the only values which may be utilized immediately and without loss.

The following table depicts the distribution of the Bank's credits among the various economic branches: (See table on page 17.)

In addition to this table, the following diagram shows the percentage of loans granted to each economic branch, as: (1) farmers, their organizations and credit institutions in the country, (2) manufacturers, (3) merchants and (4) credit institutions in towns.

Credit Distribution of Latvijas Banka (in percentage).



The foregoing table and diagram show that only direct credits to farmers have decreased in the past year, as such operations have been transferred partly to the State Land Bank; but all the other kinds of loans have increased, excluding foreign drafts. It is noteworthy, however, that the total amount of credits to agriculture (i. e., to farmers direct plus the sums loaned through their organizations and through credit institutions in the country) has not decreased, but even increased slightly (from 39·16 to 39·87 million lats). Adding foreign drafts to the

Statistical data regarding discounted bills, special current a/c., loans on security and commercial credits on January 1, 1927 and 1928.

(The upper line of each item shows the situation in 1927, the lower in 1928.) (Lats, in thousands.)

Classification	Merchants	Manufacturers	Farmers	Agricultural org.	Credit inst. in the country	Credit instit. in towns	Total
Discounted bills	4,691	7,692	28	6,619	8,569	25,879	53,448
	4,284	6,911	28	6,773	9,540	27,897	55,433
Discounted drafts	—	—	—	—	—	—	—
	1,344	1,490	—	—	—	—	2,834
Spec. current a/c.							
Secured by bills	134	49	—	563	11,466	5,692	17,903
	117	24	—	798	16,078	5,477	22,494
„ „ bonds & other oblig.							
a) by mortgages on real property in the country	—	32	125	—	—	—	157
	—	156	97	—	—	—	253
b) by mortgages on real property in towns	653	5,201	—	514	—	1,322	7,690
	1,462	3,976	—	549	—	672	6,659
c) by other securities	235	2,864	—	—	—	0	3,100
	46	5,781	—	—	—	1,178	7,005
Secured by agric. & industrial plant.							
a) by agricultural plant	—	—	—	—	5,968	2,287	8,256
	—	—	—	—	1,718	650	2,368
b) by industrial plant	2	378	—	—	—	—	380
	1	165	8	—	—	—	174
Secured by goods	3,505	11,893	—	570	13	961	16,942
	8,978	10,467	—	1,087	3	1,803	22,338
„ „ documents for goods	1,432	—	—	—	—	—	1,432
	1,298	—	—	—	—	—	1,298
Loans.							
Against bonds & various securities.							
a) against mortgages on real prop. in the country	—	230	4,361	6	—	—	4,597
	—	223	2,824	—	—	—	3,047
b) „ „ „ „ „ in the towns	347	3,690	—	282	—	300	4,618
	29	3,490	—	330	—	656	4,505
c) against other securities	—	721	—	—	—	20	741
	400	234	—	—	—	18	652
Against agricultural & industrial plant.							
a) against agricultural plant	—	—	6	15	—	—	21
	—	—	9	—	—	—	9
b) „ industrial plant	6	1,456	7	35	3	39	1,545
	51	1,156	7	20	—	89	1,323
Against goods	12	110	—	9	—	2	134
	11	107	0	—	—	11	129
Against documents for goods	—	—	—	—	—	—	—
	60	40	—	—	—	—	100
Commercial credits	1,840	2,351	—	—	—	—	4,191
	336	2,910	—	—	—	—	3,246
Total	12,857	36,667	4,527	8,613	26,019	36,472	125,155
	18,417	37,130	2,973	9,557	27,339	38,451	133,867

Remark: In the data showing the situation on January 1, 1927, foreign drafts are not included.

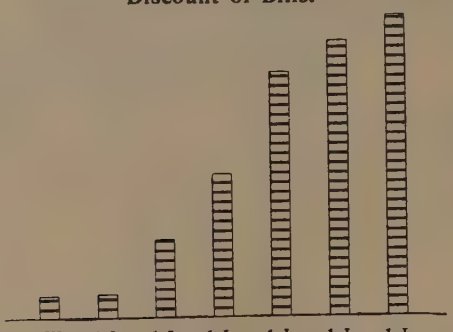
total amount of loans granted up to January 1, 1927 (drafts were discounted then for the tidy sum of 9·35 million lats), we find that the total amount of credits granted to manufacturers and merchants has receded from 58·9 to 55·5 million lats. Obviously, therefore, there has been no restriction of credit to agriculture, but rather to industry and commerce, both of which utilized credits against foreign drafts. We shall revert to the cause of this credit restriction later.

Turning to the different kinds of credit granted by the Bank, our attention is drawn first to the discounting of bills, which is the largest operation. As is evident from the classification of loan operations, the direct discounting of bills increased from 53·4 to 55·4 million lats, i. e., by 2 million lats in the past year. And we observe, in passing, a characteristic change in bill transactions, viz., the amount of clients' bills directly discounted has decreased from 19 to 18 million lats, while the rediscount of bills received through credit institutions has increased from 34·4 to 37·4 million lats. By augmenting its rediscount operations at the expense of direct discount, the Latvijas Banka has come nearer the object of a central bank, viz., to credit private enterprise through credit institutions and not directly. Whereas a year ago the relation between the direct discount and the rediscount of Latvijas Banka was as 35 to 65, it is now as 32 to 68.

In the ordinary monthly balance sheets, special current accounts secured by bills are added to discounted bills. This item grew perceptibly in the past year (from 17·9 to 22·5 million lats), special current accounts secured by agricultural plant having been converted mostly into special current accounts secured by bills. Almost all these operations are effected through private credit institutions.

The total amount of bills discounted and rediscounted in Latvijas Banka last year increased from 71·4 to 77·9 million lats, and has been growing steadily throughout the Bank's existence, as the following diagram shows:

Discount of Bills.

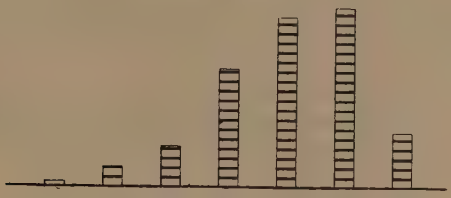


	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Lats, in millions:	5·6	6·1	20·1	36·9	63·4	71·4	77·9

The discount of foreign drafts decreased from 9·3 to 2·8 million lats last year, in consequence of the new principle of more careful selection and control. At present, the Bank accepts only such drafts as are based on actual export trans-

actions. The Bank accommodates export trade with credit unhesitatingly, allowing even lower rates of interest on loans than are charged ordinarily. This was not customary in former years. Therefore, it cannot be said that more was done for export trade formerly than at present. Manufacturers and merchants make use of draft credits directly, as the private credit institutions do not enjoy any privileges in loan rates for such transactions.

Foreign Drafts.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Lats, in millions:	0·2	1·0	2·1	6·1	8·8	9·3	2·8

The loans granted and special current accounts opened against mortgages on real property in the country decreased last year from 4·75 to 3·3 million lats. These credits were granted mostly to farmers direct. These transactions may be transferred to the State Land Bank, if the debtor so desires. In such cases, the Latvijas Banka receives mortgage bonds of the State Land Bank. So far, loans aggregating three million lats have been transferred in this manner, and the Latvijas Banka is still able to transfer such transactions for a further two million lats. The State credit policy foresees such transfers in the future as well. For this kind of credit operation is not exactly adapted to the nature of Latvijas Banka as a short term credit institution, and the Bank has been engaged in the same only because of the lack of means in the credit institutions designated for long term transactions.

Loans and special current accounts against real property in towns also decreased last year from 12·3 to 11·2 million lats. Such loans were granted mostly to manufacturers direct (7·5 million lats, as against 8·9 millions the year before). The decrease is due principally to the transference of such transactions to the Latvian Mortgage Bank, as in the case of credits to farmers, transferred to the State Land Bank. Such loans have also been granted to merchants (1·5 million lats, as against 1·0 million lats the year before), to credit institutions in towns (1·3 million lats, as against 1·6 million lats in the preceding year), and to agricultural organizations (0·9 million lats, as against 0·8 million lats the year before).

The Bank's Council had resolved by January 1, 1928 to cease granting loans against agricultural plant through private credit institutions; but as it was not possible to liquidate all such loans to farmers by the date prescribed, they still appear in the balance sheet on January 1, 1928, to the extent of 2·4 million lats, as against 8·3 millions the year before. These loans have not been collected

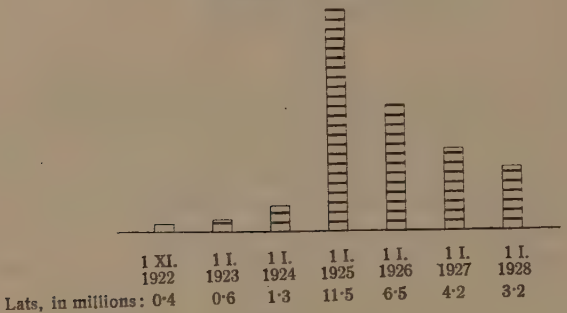
from debtors, but only converted into special current accounts secured by bills, opened for credit institutions as intermediaries.

The loans granted and special current accounts against industrial plant decreased from 1·9 to 1·5 million lats last year. These loans were granted almost wholly to manufacturers.

Special current accounts and loans against goods or documents for merchandise grew last year from 18·5 to 23·9 million lats. In particular, the amount granted to merchants increased from 4·9 to 10·3 million lats, while the loans to manufacturers receded from 12·0 to 10·6 million lats. The loans to credit institutions in towns increased from 1·0 to 1·8 million lats, and those to agricultural organizations from 0·6 to 1·1 million lats.

Commercial credits continued decreasing as in recent years. Last year they decreased from 4·2 to 3·2 million lats. The tendency of these credits since the foundation of the Bank is portrayed by the following diagram:

Commercial credits.



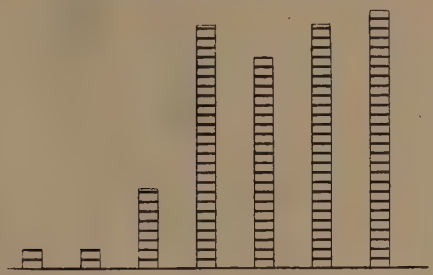
Loans against various other securities increased from 3·8 to 7·7 million lats last year. Such loans were granted mostly to manufacturers (6 million lats, as against 3·6 millions a year ago) and to credit institutions in towns (1·2 million lats, as against practically nothing a year ago).

The general development of loan operations last year, compared with the situation in the three preceding years, is depicted in the following table (lats, in thousands):

	Bills	Foreign drafts	Bonds & other securities	Industrial & agric. plant	Goods & documents for goods	Commercial credits	Total
1 I. 1925	45,967	6,105	15,552	8,645	14,967	11,530	102,766
1 I. 1926	63,361	8,758	16,363	9,551	15,582	6,488	123,103
1 I. 1927	71,352	9,349	20,903	10,202	18,507	4,191	134,504
1 I. 1928	77,927	2,834	22,121	3,874	23,865	3,246	133,867
Difference as against preceding year . .	+ 6,575	— 6,515	+ 1,218	— 6,328	+ 5,358	— 945	— 637

The total amount of special current accounts based on security, according to the Bank's monthly balance sheets, increased last year from 38·0 to 40·1 million lats. The development of these accounts since the Bank's foundation is as follows:

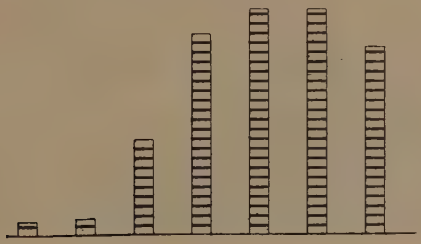
Special Current Accounts.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Lats, in millions:	3·0	3·0	12·4	37·8	32·8	38·0	40·1

The aggregate loans against securities, according to the Bank's monthly balance sheet, decreased from 11·7 to 9·8 million lats last year. Their development since the foundation of the Bank has been as follows:

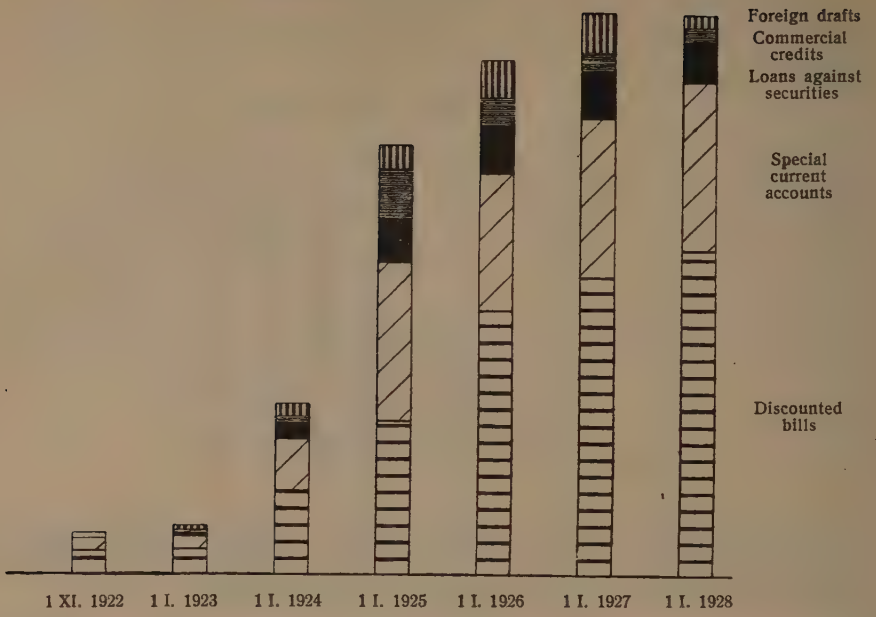
Terminated Loans.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928
Lats, in millions:	0·7	0·8	4·9	10·4	11·7	11·7	10·2

The total amount of credits granted by the Bank underwent no marked change in the past year (133·8 million lats on January 1, 1928, as against 134·5 millions a year ago). The total amount was still smaller in the middle of the year, and the monthly average was 131·1 million lats. The year 1927 was the first year in which the Bank's total credits showed no increase. The development of loan operations in former years was as follows:

Distributions of Loans.



The Latvijas Banka has lowered its interest rates on loans of all kinds since January 1, 1927. In Autumn 1927, some of the rates were further reduced, and since April 1 of the current year there has been a general reduction of loan rates. This has naturally relieved the position of debtors.

The following rates of interest are in force at present:

1) To credit institutions in the rural districts:

a) for rediscount of bills, and

b) for special current accounts secured by bills of credit institutions which charge their clients 8% or less 5%

c) for all other loans and special current accounts of credit institutions which charge their clients 9 1/2% or less 6 1/2%

2) To farmers:

a) for loans against solo bills, secured by mortgages on real estate in rural districts 5 1/2%

b) for special current accounts of a similar nature 6 1/2%

3) To credit institutions in towns:

a) for rediscount of bills of credit institutions which charge their clients 11% or less 6%

b) which charge their clients 12% 7%

c) for all other loans and special current accounts of credit institutions which charge their clients 11% or less 6 1/2%

d) which charge their clients 12% 7 1/2%

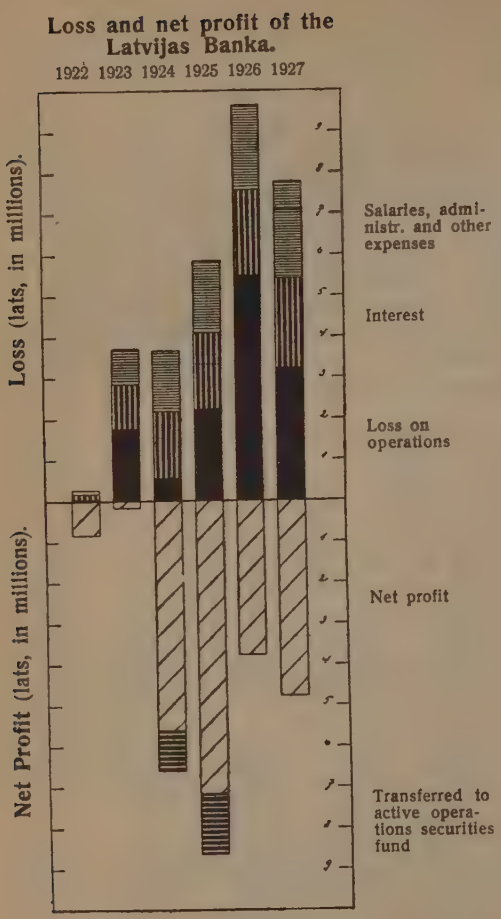
4) To private persons and institutions:
a) for discount of bills 7 1/2%
b) for all other loans and special current accounts 8%
c) for discount of export drafts 6%

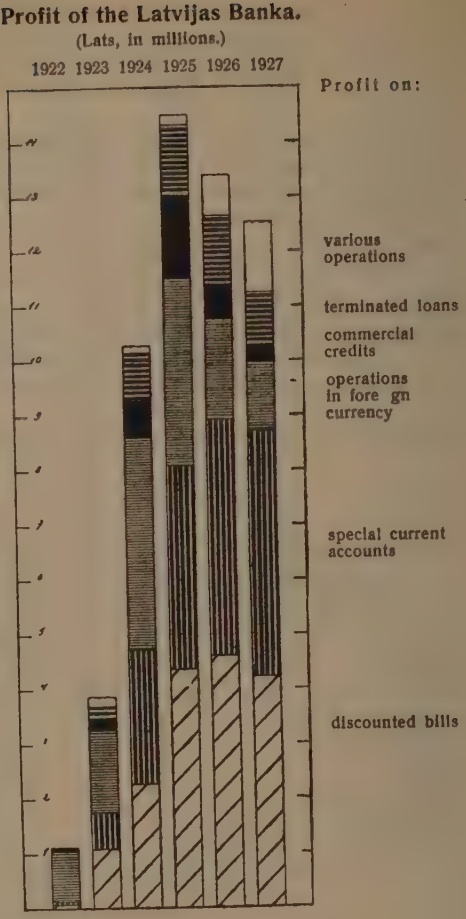
The following explanations may be added: When utilizing credits of the Latvijas Banka, the credit institutions in the rural districts are allowed to charge their clients on these sums not more than 3% over the rates paid by themselves to the Latvijas Banka, as against a difference of 4% hitherto permitted. The loan rates to credit institutions in towns are lowered by 1%, provided they undertake to charge their clients not more than 11%. Otherwise, the credit institutions in towns receive credits at the old rates. The new rates introduced by Latvijas Banka are a great relief to debtors, especially to the farmers and their credit institutions.

The principal items of the Bank's profit and loss account were as follows last year, compared with the results registered in former years:

	1922	1923	1924	1925	1926	1927
	(lats, in thousands)					
Profit:						
On discounted bills	69	1,063	2,234	4,358	4,597	3,994
„ special current a/c.	56	681	2,448	3,735	4,343	4,509
„ transactions in foreign currency	929	1,518	3,907	3,393	1,826	1,254
„ commercial credits	33	197	699	1,543	643	311
„ terminated loans	11	213	860	1,273	1,253	954
Sundries	19	204	130	199	745	1,514
Total	1,117	3,876	10,278	14,501	13,407	12,536
Loss:						
Loss on operations	55	1,755	545	2,238	5,486	3,277
Interest	76	849	1,516	1,760	2,046	2,269
Salaries & administr. expenses	130	1.090	1,618	1,853	2,122	2,206
Transferred to active operations security fund	—	—	1,000	1,500	—	—
Total loss	261	3,694	4,679	7,351	9,654	7,752
Total net profit	856	182	5,598	7,150	3,753	4,784
	1,117	3,876	10,277	14,501	13,407	12,536

In general, the profit on loan operations decreased, though they averaged nearly the same as in 1926, i. e., 131 million lats. The decreased profit is a result of the reduced rates of interest on loans and commission rates. The gross profit from the discount of bills totalled 3·99 million lats, as against 4·60 millions in the preceding year; from special current accounts 4·51 (4·34) million lats; from loans against security 0·95 (1·25) million lats; from commercial credits 0·31 (0·64) million lats. The aggregate loan operations rendered a gross profit of 9·98 million lats, or nearly 80% (86% in the preceding year) of the entire gross profit. Deducting therefrom a sum of 3·28 (in the preceding year 5·49) million lats, being the loss on these operations, the net profit on all loan operations is found to be


Loss and net profit of the Latvijas Banka.
1922 1923 1924 1925 1926 1927
Loss (lats, in millions).
Net Profit (lats, in millions).
Salaries, administr. and other expenses
Interest
Loss on operations
Net profit
Transferred to active operations securities fund



6·70 million lats, as against 6·04 millions in the preceding year. The amount of money invested in loans averaged 131·1 million lats in 1927, and the average profit 5·1%. This year, as in former years, the estimate is too low, as the greater part of the losses arose from operations effected in earlier years, and not of the last two years.

The profit on operations in foreign currency is decreasing from year to year. It totalled 3·91 million lats in 1924, 3·39 in 1925, 1·83 in 1926, and 1·25 million lats only in 1927 (and amounted to 1·47 million lats together with foreign drafts). This decrease of profit is due to the general stabilization of currencies, the smaller difference between buyers' and sellers' quotations, and the decrease of foreign

drafts operations which tended to augment the profit on such transactions in former years.

The principal items of expenditure are the interests paid and reserved to the extent of 29·3% of the Bank's total loss (24·4% in the preceding year). The increased percentage is due to the increase of the aggregate current accounts and deposits at the Bank. The comparatively negligible increase of salaries and various administrative expenses is due to the extension of the Bank's operations in the past year, the increased number of officials and, partly also, to higher salaries. On the other hand, the Bank's gross profit decreased last year owing to the lowering of loan rates and other causes.

Apportioning the net profit in conformity with the Bank's statutes, the following sums were transferred to the Bank's capital and to State Revenue:

To founded capital (25%) . . .	Ls	1,196,147·56
„ reserve capital (10%) . . .	„	478,459·02
„ bonuses	„	262,577·84
„ State Revenue	„	2,847,405·82
	Ls	4,748,590·24

These entries having been effected, the Banks capital comprised the following sums:

Founded capital	Ls	15,570,423·89
Reserve capital	„	3,090,586·02
Special reserve fund	„	2,500,000·—
	Ls	21,161,010·—

Since the Bank's foundation, its own capital has been more than doubled apart from which the Bank has augmented State Revenue by the following sums:

in 1922	Ls	501,846·29
„ 1923	„	104,792·36
„ 1924	„	3,296,301·76
„ 1925	„	4,226,800·02
„ 1926	„	2,196,562·59
„ 1927	„	2,847,405·82
	Ls	13,173,708·84

No important changes occurred in the activities of the branches of Latvijas Banka last year. The rights of the existing branches were not enlarged nor were any new branches opened.

The Clearing House attached to Latvijas Banka commenced work on January 3, 1927. Some joint-stock banks and co-operative credit institutions are taking part in it. It achieved a turnover of Ls 47,031,400 last year.

The following changes were recorded in the management of Latvijas Banka last year: On the expiry of his term of office, the President of the Council Mr. Ringold Kalnings was replaced by Mr. J. Celms, formerly Director of the Riga Town Discount Bank. The Member of the Council Mr. P. Plostins resigned his post and was replaced by Mr. M. Gailitis, Member of Parliament. The Member of the Council Mr. J. Zebergs died and was succeeded by Mr. A. Grube, Member of the Riga Exchange Committee.

RETURNS

1927.

(IN LATS.)

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
I. Capital.						
Capital on January 1, 1927	13,446,905	58	—	—	13,446,905	58
Added in 1927	938,370	84	—	—	938,370	84
Balance on January 1, 1928	14,385,276	42	—	—	14,385,276	42
II. Reserve Fund.						
Reserve Fund on January 1, 1927	2,236,778	67	—	—	2,236,778	67
Added in 1927	375,348	33	—	—	375,348	33
Balance on January 1, 1928	2,612,127	—	—	—	2,612,127	—
III. The Bank's Active Operations Security Fund.						
Active operations security fund on January 1, 1927	2,500,000	—	—	—	2,500,000	—
Added in 1927	—	—	—	—	—	—
Balance on January 1, 1928	2,500,000	—	—	—	2,500,000	—
IV. Returns.						
Total for 1927	2831607964	90	992,448,995	90	3824056960	80
Thereof returns out of the balance sheet	474,212,715	93	276,222,314	63	750,435,030	56
V. Cash.						
Cash in hand on January 1, 1927	8,730,422	56	8,921,343	84	17,651,766	40
Received in 1927	521,164,856	58	223,885,983	17	745,050,839	75
	529,895,279	14	232,807,327	01	762,702,606	15
Paid out in 1927	523,867,492	02	224,604,785	71	748,472,277	73
Balance on January 1, 1928	6,027,787	12	8,202,541	30	14,230,328	42
VI. Gold Specie.						
Cash on January 1, 1927	1,002,506	97	12,382	54	1,014,889	51
Received in 1927	112,985	24	84,922	13	197,907	37
	1,115,492	21	97,304	67	1,212,796	88
Paid out in 1927	55,026	23	80,588	27	135,614	50
Balance on January 1, 1928	1,060,465	98	16,716	40	1,077,182	38
Profit on gold specie	3.915	84	1,196	78	5,112	62

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
VII. Silver Specie.						
Balance on January 1, 1927	9,167	03	3,730	49	12,897	52
Received in 1927	48,168	59	34,287	79	82,456	38
	57,335	62	38,018	28	95,353	90
Paid out in 1927	57,014	22	33,639	98	90,654	20
Balance on January 1, 1928	321	40	4,378	30	4,699	70
Profit on silver specie	4,814	50	—	—	4,814	50
Loss on silver specie	—	—	37	59	37	59
VIII. Bullion.						
Balance on January 1, 1927	7,869,752	02	—	—	7,869,752	02
Received in 1927	—	—	—	—	—	—
	7,869,752	02	—	—	7,869,752	02
Paid out in 1927	—	—	—	—	—	—
Balance on January 1, 1928	7,869,752	02	—	—	7,869,752	02
IX. Bullion. State Deposit.						
Balance on January 1, 1927	14,732,890	75	—	—	14,732,890	75
Received in 1927	—	—	—	—	—	—
	14,732,890	75	—	—	14,732,890	75
Paid out in 1927	—	—	—	—	—	—
Balance on January 1, 1928	14,732,890	75	—	—	14,732,890	75
X. Foreign Currency.						
Balance on January 1, 1927	77,967	78	82,353	28	160,321	06
Received in 1927	2,495,894	29	878,059	80	3,373,954	09
	2,573,862	07	960,413	08	3,534,275	15
Paid out in 1927	1,503,297	50	685,541	22	2,188,838	72
Balance on January 1, 1928	1,070,564	57	274,871	86	1,345,436	43
Profit on foreign currency	11,155	92	5,368	22	16,524	14
Commission receiv. on foreign currency	1,362	28	19,455	20	20,817	48
	12,518	20	24,823	42	37,341	62

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XI. Money in Transit.						
Balance on January 1, 1927	—	—	—	—	—	—
Remitted to correspondents in 1927 .	241	69	—	—	241	69
	241	69	—	—	241	69
Received by correspondents in 1927 .	241	69	—	—	241	69
Balance on January 1, 1928	—	—	—	—	—	—
XII. Foreign Drafts.						
Balance on January 1, 1927	—	—	469	98	469	98
Received in 1927	—	—	1,897,823	46	1,897,823	46
	—	—	1,898,293	44	1,898,293	44
Sold and sent in 1927	—	—	1,897,390	34	1,897,390	34
Balance on January 1, 1928	—	—	903	10	903	10
Profit on foreign drafts	—	—	31	68	31	68
XIII. Foreign Drafts with Corresp.						
Balance on January 1, 1927	9,348,346	15	103	80	9,348,449	95
Sent to correspondents in 1927 . . .	18,362,618	31	1,978,333	69	20,340,952	—
	27,710,964	46	1,978,437	49	29,689,401	95
Collected by correspondents in 1927 .	24,906,384	89	1,948,451	12	26,854,836	01
Balance on January 1, 1928	2,804,579	57	29,986	37	2,834,565	94
Profit on these drafts	1,209	98	2,492	07	3,702	05
Interest received	212,621	44	—	—	212,621	44
XIV. Postal Cheques.						
Balance on January 1, 1927	515,093	08	350,857	42	865,950	50
Paid in during 1927	25,730,877	94	12,526,933	05	38,257,810	99
	26,245,971	02	12,877,790	47	39,123,761	49
Received during 1927	25,247,153	11	12,385,163	60	37,632,316	71
Balance on January 1, 1928	998,817	91	492,626	87	1,491,444	78
Interest received	4,148	94	2,868	58	7,017	52

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XV. Bonds.						
Balance on January 1, 1927	110,498	—	19,982	—	130,480	—
Received in 1927	2,577,364	26	24,766	69	2,602,130	95
	2,687,862	26	44,748	69	2,732,610	95
Delivered in 1927	245,987	76	26,156	69	272,144	45
Balance on January 1, 1928	2,441,874	50	18,592	—	2,460,466	50
Profit on bonds	91,926	71	1,778	21	93,704	92
Specification of bonds:						
4% Latvian internal loan of 1920:						
Head office — Branches						
585—4,051 à Ls 2·—	1,170	—	8,102	—	9,272	—
5% Independence loan of 1918:						
Head office — Branches						
3,807—1,404 à Ls —·50	1,903	50	702	—	2,605	50
20,148—5,048 „ „ 1·—	20,148	—	5,048	—	25,196	—
381— 706 „ „ 5·—	1,905	—	3,530	—	5,435	—
131 „ „ 10·—	—	—	1,210	—	1,210	—
6% bonds of the State Land Bank, quotation 92:						
21— — à Ls 100·—	1,932	—	—		1,932	—
10— — „ „ 200·—	1,840	—	—		1,840	—
20— — „ „ 300·—	5,520	—	—		5,520	—
20— — „ „ 400·—	7,360	—	—		7,360	—
24— — „ „ 500·—	11,040	—	—		11,040	—
33— — „ „ 600·—	18,216	—	—		18,216	—
37— — „ „ 1,000·—	34,040	—	—		34,040	—
8— — „ „ 5,000·—	36,800	—	—		36,800	—
6— — „ „ 10,000·—	55,200	—	—		55,200	—
122— — „ „ 20,000·—	2,244,800	—	—		2,244,800	—
Total 25,770 12,216.	2,441,874	50	18,592	—	2,460,466	50
XVI. Discounted Bills.						
Balance on January 1, 1927	37,907,872	89	14,380,703	13	52,288,576	02
Discounted in 1927	151,629,897	50	59,830,849	54	211,460,747	04
Transport	189,537,770	39	74,211,552	67	263,749,323	06

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
Transport	189,537,770	39	74,211,552	67	263,749,323	06
Redeemed in 1927	151,913,190	11	57,495,931	89	209,409,122	—
Balance on January 1, 1928	37,624,580	28	16,715,620	78	54,340,201	06
Interest received	2,786,819	87	1,118,846	68	3,905,666	55
Commission received	56,669	71	31,983	46	88,653	17
	2,843,489	58	1,150,830	14	3,994,319	72
XVII. Discounted Bills with Corresp.						
Balance on January 1, 1927	262,323	72	897,277	83	1,159,601	55
Sent in 1927	7,321,074	21	5,389,436	28	12,710,510	49
	7,583,397	93	6,286,714	11	13,870,112	04
Redeemed and returned in 1927 . .	7,255,009	44	5,521,565	17	12,776,574	61
Balance on January 1, 1928	328,388	49	765,148	94	1,093,537	43
XVIII. Special Current Accounts.						
a) Secured by bills:						
Balance on January 1, 1927	10,075,775	14	7,827,526	24	17,903,301	38
Paid out in 1927	24,536,620	93	20,239,703	34	44,776,324	27
	34,612,396	07	28,067,229	58	62,679,625	65
Refunded in 1927	22,814,104	81	17,371,912	82	40,186,017	63
Balance on January 1, 1928	11,798,291	26	10,695,316	76	22,493,608	02
Interest received	730,872	85	521,848	45	1,252,721	30
Commission received	2,618	67	11,602	09	14,220	76
	733,491	52	533,450	54	1,266,942	06
b) Covered by bonds and various securities:						
Balance on January 1, 1927	10,273,305	78	672,750	70	10,946,056	48
Paid out in 1927	9,739,099	79	696,771	44	10,435,871	23
	20,012,405	57	1,369,522	14	21,381,927	71
Repaid in 1927	7,126,783	36	338,157	90	7,464,941	26
Balance on January 1, 1928	12,885,622	21	1,031,364	24	13,916,986	45
Interest received	1,035,790	87	71,104	55	1,106,895	42
Commission received	36,881	74	2,994	98	39,876	72
	1,072,672	61	74,099	53	1,146,772	14

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
c) Covered by industrial and agricultural plant:						
Balance on January 1, 1927	3,831,865	73	4,804,048	39	8,635,914	12
Paid out in 1927	1,011,878	81	2,630,973	37	3,642,852	18
	4,843,744	54	7,435,021	76	12,278,766	30
Repaid in 1927	3,531,938	21	6,204,387	31	9,736,325	52
Balance on January 1, 1928	1,311,806	33	1,230,634	45	2,542,440	78
Interest received	207,953	90	324,779	53	532,733	43
Commission received	1,421	80	6,026	95	7,448	75
	209,375	70	330,806	48	540,182	18
d) Covered by goods:						
Balance on January 1, 1927	11,502,514	48	5,439,169	59	16,941,684	07
Paid out in 1927	17,727,493	10	8,820,548	07	26,548,041	17
	29,230,007	58	14,259,717	66	43,489,725	24
Refunded in 1927	11,587,484	77	9,564,235	85	21,151,720	62
Balance on January 1, 1928	17,642,522	81	4,695,481	81	22,338,004	62
Interest received	918,939	62	483,095	40	1,402,035	02
Commission received	50,279	—	28,747	10	79,026	10
	969,218	62	511,842	50	1,481,061	12
e) Covered by documents for goods:						
Balance on January 1, 1927	1,090,262	99	341,839	03	1,432,102	02
Paid out in 1927	83,294	19	6,487,662	61	6,570,956	80
	1,173,557	18	6,829,501	64	8,003,058	82
Refunded in 1927	58,908	81	6,646,400	66	6,705,309	47
Balance on January 1, 1928	1,114,648	37	183,100	98	1,297,749	35
Interest received	49,201	62	19,875	79	69,077	41
Commission received	2,254	78	3,945	98	6,200	76
	51,456	40	23,821	77	75,278	17
XIX. Loans.						
a) Against bonds and other securities:						
Balance on January 1, 1927	9,457,304	25	499,222	84	9,956,527	09
Granted in 1927	2,985,048	83	148,196	17	3,133,245	—
Transport	12,442,353	08	647,419	01	13,089,772	09

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
Transport	12,442,353	08	647,419	01	13,089,772	09
Refunded in 1927	4,668,961	14	216,954	72	4,885,915	86
Balance on January 1, 1928	7,773,391	94	430,464	29	8,203,856	23
Interest received	629,617	49	33,112	53	762,730	02
Commission received	110,676	80	4,768	12	115,444	92
b) Against industrial and agricultural plant:	740,294	29	37,880	65	778,174	94
Balance on January 1, 1927	1,185,670	92	380,946	16	1,566,617	08
Granted in 1927	316,861	41	54,513	66	371,375	07
	1,502,532	33	435,459	82	1,937,992	15
Refunded in 1927	452,369	02	153,953	39	606,322	41
Balance on January 1, 1928	1,050,163	31	281,506	43	1,331,669	74
Interest received	108,753	47	30,734	17	139,487	64
Commission received	11,527	25	3,722	36	15,249	61
c) Against goods:	120,280	72	34,456	53	154,737	25
Balance on January 1, 1927	99,850	—	33,726	83	133,576	83
Granted in 1927	69,594	54	17,437	27	87,031	81
	169,444	54	51,164	10	220,608	64
Refunded in 1927	70,124	54	20,667	97	90,792	51
Balance on January 1, 1928	99,320	—	30,496	13	129,816	13
Interest received	9,671	75	2,725	53	12,397	28
Commission received	665	62	239	44	905	06
d) Against documents for goods:	10,337	37	2,964	97	13,302	34
Balance on January 1, 1927	—	—	—	—	—	—
Granted in 1927	—	—	396,855	26	396,855	26
	—	—	396,855	26	396,855	26
Refunded in 1927	—	—	297,516	29	297,516	29
Balance on January 1, 1928	—	—	99,338	97	99,338	97
Interest received	—	—	5,740	70	5,740	70
Commission received	—	—	2,380	61	2,380	61
	—	—	8,121	31	8,121	31

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XX. Commercial Credits.						
Balance on January 1, 1927	4,159,601	82	31,155	97	4,190,757	79
Issued in 1927	8,124,510	92	2,312	67	8,126,823	59
	12,284,112	74	33,468	64	12,317,581	38
Refunded in 1927	9,052,232	32	19,143	71	9,071,376	03
Balance on January 1, 1928	3,231,880	42	14,324	93	3,246,205	35
Interest received	253,293	12	1,349	40	254,642	52
Commission received	55,469	03	1,080	52	56,549	55
	308,762	15	2,429	92	311,192	07
XXI. A/c. with Correspond. Nostro.						
Balance on January 1, 1927 in favour of Latvijas Banka	21,270,266	17	—	—	21,270,266	17
Correspondents received in 1927	177,217,874	11	—	—	177,217,874	11
	198,488,140	28	—	—	198,488,140	28
„ paid out in 1927	150,762,722	50	—	—	150,762,722	50
Bal. on Jan. 1, 1928 in fav. of Latv. B.	47,725,417	78	—	—	47,725,417	78
Interest paid	754	52	—	—	754	52
„ received	977,790	80	—	—	977,790	80
Profit on exchange	212,584	78	—	—	212,584	78
XXII. A/c. with Correspond. Loro.						
Balance on January 1, 1927:						
In favour of Correspondents	3,380,374	06	—	—	3,380,374	06
„ „ „ Latvijas Banka	3,957	32	—	—	3,957	32
Balance due to Correspondents	3,376,416	74	—	—	3,376,416	74
Received from Correspondents in 1927	12,274,232	92	—	—	12,274,232	92
	15,650,649	66	—	—	15,650,649	66
Remitted to Correspondents in 1927	15,093,595	35	—	—	15,093,595	35
Balance on January 1, 1928	557,054	31	—	—	557,054	31
„ in favour of Correspondents	562,609	31	—	—	562,609	31
„ „ „ „ Latvijas Banka	5,555	—	—	—	5,555	—
„ due to Correspondents	557,054	31	—	—	557,054	31
Interest received	468	45	—	—	468	45
„ paid	24,825	47	—	—	24,825	47

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XXIII. Furniture and Fixtures.						
Balance on January 1, 1927	201,389	60	125,254	39	326,643	99
Acquisitions in 1927	30,541	01	44,221	57	74,762	58
	231,930	61	169,475	96	401,406	57
Written off 1927	36,517	22	35,001	25	71,518	47
Balance on January 1, 1928	195,413	39	134,474	71	329,888	10
XXIV. Real Property.						
Balance on January 1, 1927	—	—	235,756	90	235,756	90
Acquisitions in 1927	—	—	99,981	40	99,981	40
	—	—	335,738	30	335,738	30
Amortization written off for 1927 . .	—	—	18,503	52	18,503	52
Balance on January 1, 1928	—	—	317,234	78	317,234	78
XXV. Protested Bills.						
Protested in 1927	1,163,506	57	808,840	77	1,972,347	34
Redeemed in 1927	567,188	79	646,748	73	1,213,937	52
	596,317	78	162,092	04	758,409	82
Written off 1927	596,317	78	162,092	04	758,409	82
XXVI. Dubious Claims.						
Balance on January 1, 1927	1,293	—	276	—	1,569	—
Added in 1927	66,435	04	8,447	22	74,882	26
	67,728	04	8,723	22	76,451	26
Written off in 1927	65,534	04	8,266	22	73,800	26
Balance on January 1, 1928	2,194	—	457	—	2,651	—
XXVII. Disbursements to be refunded.						
Balance on January 1, 1927	4,603	73	2,426	14	7,029	87
Disbursed in 1927	94,383	04	85,031	75	179,414	79
	98,986	77	87,457	89	186,444	66
Refunded in 1927	88,923	74	85,424	14	174,347	88
Balance on January 1, 1928	10,063	03	2,033	75	12,096	78

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XXVIII. Banknotes in Circulation.						
Balance on January 1, 1927	31,475,700	—	—	—	31,475,700	—
Issued in 1927	21,431,200	—	—	—	21,431,200	—
	52,906,900	—	—	—	52,906,900	—
Withdrawn in 1927	15,560,300	—	—	—	15,560,300	—
Balance on January 1, 1928	37,346,600	—	—	—	37,346,600	—
XXIX. Deposits.						
a) Fixed deposits:						
Balance on January 1, 1927	10,395,268	13	230,743	18	10,626,011	31
Paid in in 1927	1,610,700	41	374,892	65	1,985,593	06
	12,005,968	54	605,635	83	12,611,604	37
Paid out in 1927	7,237,697	08	275,968	91	7,513,665	99
Balance on January 1, 1928	4,768,271	46	329,666	92	5,097,938	38
Paid interest on these	484,296	80	20,566	39	504,863	19
b) Net demand deposits (sav. bookl.):						
Balance on January 1, 1927	2,132,253	85	2,178,503	63	4,310,757	48
Paid in in 1927	2,647,796	18	2,222,064	45	4,869,860	63
	4,780,050	03	4,400,568	08	9,180,618	11
Paid out in 1927	1,863,783	33	1,776,658	79	3,640,442	12
Balance on January 1, 1928	2,916,266	70	2,623,909	29	5,540,175	99
Paid interest on these	116,995	62	111,340	07	228,335	69
c) Net demand deposits bearing no interest:						
Balance on January 1, 1927	—	—	16,017	79	16,017	79
Paid in in 1927	—	—	169,541	42	169,541	42
	—	—	185,559	21	185,559	21
Paid out in 1927	—	—	177,005	91	177,005	91
Balance on January 1, 1928	—	—	8,553	30	8,553	30

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XXX. Current Accounts.						
a) Ordinary current accounts:						
Balance on January 1, 1927	22,458,097	77	5,389,322	—	27,847,419	77
Paid in in 1927	379,269,900	90	114,348,738	78	493,618,639	68
	401,727,998	67	119,738,060	78	521,466,059	45
Paid out in 1927	368,009,151	46	113,575,792	38	481,584,943	84
Balance on January 1, 1928	33,718,847	21	6,162,268	40	39,881,115	61
Paid interest on these	1,195,189	80	163,562	56	1,358,752	36
b) Current accounts bearing no interest:						
Balance on January 1, 1927	3,599,838	96	669,709	05	4,269,548	01
Paid in in 1927	43,963,812	10	18,566,546	78	62,530,358	88
	47,563,651	06	19,236,255	83	66,799,906	89
Paid out in 1927	43,491,281	40	18,331,921	98	61,823,203	38
Balance on January 1, 1928	4,072,369	66	904,333	85	4,976,703	51
c) Current accounts in foreign currency:						
Balance on January 1, 1927	5,288,442	08	59,103	95	5,347,546	03
Paid in in 1927	9,669,471	70	97,847	30	9,767,319	—
	14,957,913	78	156,951	25	15,114,865	03
Paid out in 1927	9,906,657	40	153,394	45	10,060,051	85
Balance on January 1, 1928	5,051,256	38	3,556	80	5,054,813	18
Paid interest	151,410	36	271	62	151,681	98
Profit on exchange	11,978	74	2	37	11,981	11
XXXI. Clearing House.						
Turnover in 1927: Debit	41,167,623	80	—	—	41,167,623	80
„ „ 1927: Credit	41,167,623	80	—	—	41,167,623	80

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XXXII. Transfers.						
a) Inward, not paid out:						
Balance on January 1, 1927	114	99	343	—	457	99
Transferred during 1927	282,695	83	284,967	10	567,662	93
	282,810	82	285,310	10	568,120	92
Paid out during 1927	282,258	24	284,310	10	566,568	34
Balance on January 1, 1928	552	58	1,000	—	1,552	58
Commission received on these . . .	14,087	66	15,865	56	29,953	22
b) Outward, not paid out:						
Balance on January 1, 1927	8,158	01	1,336	18	9,494	19
Transferred during 1927	2,262,596	62	25,430	32	2,288,026	94
	2,270,754	63	26,766	50	2,297,521	13
Paid out during 1927	2,250,541	56	26,364	80	2,276,906	36
Balance on January 1, 1928	20,213	07	401	70	20,614	77
Commission received on these . . .	2,850	57	1,166	01	4,016	58
c) Inland payments ordered:						
Balance on January 1, 1927	3,983	15	48,606	73	52,589	88
Ordered in 1927	519,837	51	4,603,168	80	5,123,006	31
	523,820	66	4,651,775	53	5,175,596	19
Paid out in 1927	511,758	49	4,640,819	45	5,152,577	94
Balance on January 1, 1928	12,062	17	10,956	08	23,018	25
d) Outward payments ordered:						
Balance on January 1, 1927	9,230	51	—	—	9,230	51
Ordered in 1927	2,151,326	74	150,910	54	2,302,237	28
	2,160,557	25	150,910	54	2,311,467	79
Paid out in 1927	2,133,880	03	150,910	54	2,284,790	57
Balance on January 1, 1928	26,677	22	—	—	26,677	22

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XXXIII. Head Office and Branches.						
Balance on January 1, 1927:						
Liabilities of Branches to the Head Office	34,353,258	61	—	—	—	—
With the Branches Assets of the Head Office	—	—	34,353,258	61	—	—
During 1927:						
At the Head Office Branches were debited with	149,833,762	19	—	—	—	—
At the Branches the Head Office was credited with	—	—	149,848,663	22	—	—
	184,187,020	80	184,201,921	83	—	—
During 1927:						
At the Head Office Branches were credited with	151,071,806	93	—	—	—	—
At the Branches the Head Office was debited with	—	—	151,086,707	96	—	—
Balance on January 1, 1928:						
At the Head Office Branches were debited with	33,115,213	87	—	—	—	—
At the Branches the Head Office was credited with	—	—	33,115,213	87	—	—
XXXIV. Various Persons and Institutions.						
Balance on January 1, 1927:						
The Head Office was debited with	1,320,499	—	—	—	—	—
„ Branches were credited with	—	—	222,470	61	—	—
During 1927:						
The Head Office was debited with	3,785,368	35	—	—	—	—
„ Branches were credited with	—	—	39,208,672	82	—	—
	5,105,867	35	39,431,143	43	—	—
During 1927:						
The Head Office was credited with	2,913,332	70	—	—	—	—
„ Branches were debited with	—	—	39,300,529	75	—	—
Balance on January 1, 1928:						
The Head Office was debited with	2,192,534	65	—	—	—	—
„ Branches were credited with	—	—	130,613	68	—	—

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
XXXV. Transitory sums.						
Balance on January 1, 1927	9,070,490	59	134,656	81	9,205,147	40
Added in 1927	197,449,795	98	5,194,431	17	202,644,227	15
	206,520,286	57	5,329,087	98	211,849,374	55
Written off 1927	203,148,395	14	5,199,126	43	208,347,521	57
Balance on January 1, 1928	3,371,891	43	129,961	55	3,501,852	98
XXXVI. Interest received in advance.						
Received in 1927	492,712	76	221,439	50	714,152	26
Repaid in 1927	1,184	28	218	32	1,402	60
Balance on January 1, 1928	491,528	48	221,221	18	712,749	66
XXXVII. Government taxes & duties.						
Received in 1927	98,976	39	14,830	75	113,807	14
Transferred to Revenue	98,976	39	14,830	75	113,807	14
Balance on January 1, 1928	—	—	—	—	—	—
XXXVIII. State Accounts.						
a) Expenditure:						
Balance on January 1, 1927	110,489,843	98	—	—	110,489,843	98
Expenditure during the year	163,171,480	72	1,817,012	54	164,988,493	26
	273,661,324	70	1,817,012	54	275,478,337	24
Refunded and transferred in 1927 . .	158,398,351	41	1,817,012	54	160,215,363	95
Balance on January 1, 1928	115,262,973	29	—	—	115,262,973	29
b) Revenue:						
Balance on January 1, 1927	114,329,801	77	—	—	114,329,801	77
Received in 1927	229,683,810	48	22,344,333	87	252,028,144	35
	344,013,612	25	22,344,333	87	366,357,946	12
Refunded and transferred in 1927 . .	222,650,212	24	22,344,333	87	244,994,546	11
Balance on January 1, 1928	121,363,400	01	—	—	121,363,400	01
c) Deposits and special resources:						
Balance on January 1, 1927	75,272,031	14	1,551,754	14	76,823,785	28
Entered during the year	127,209,824	64	3,013,185	07	130,223,009	71
	202,481,855	78	4,564,939	21	207,046,794	99
Paid out during the year	110,109,360	87	2,538,980	68	112,648,341	55
Balance on January 1, 1928	92,372,494	91	2,025,958	53	94,398,453	44

PROFIT AND LOSS ACCOUNT
1927.

Debit. **Profit and**

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
Paid:						
Interest on fixed deposits	484,296	80	20,566	39	504,863	19
„ „ net demand deposits	116,995	62	111,340	07	228,335	69
„ „ current accounts	1,195,189	80	163,562	56	1,358,752	36
„ „ „ „ in foreign curr.	151,410	36	271	62	151,681	98
„ „ curr. a/c. of correspondents	25,579	99	—	—	25,579	99
Current expenditure:						
Fees to the Members of the Council (till March 15)	12,696	66	—	—	12,696	66
Fees to the Administration	78,000	—	—	—	78,000	—
Salaries to the officials and servants	850,655	13	682,334	26	1,532,989	39
Fees to the members of the Council and of the Discount Committee for sessions	55,296	—	21,413	—	76,709	—
Stationery	106,764	96	14,643	15	121,408	11
Administrative and travelling expenses	58,324	91	14,513	24	72,838	15
Compensations in connect. with appointments and transfers	20,925	57	8,600	20	29,525	77
Household expenses	113,181	02	82,586	80	195,767	82
Wear and tear of furniture, fixtures and real estate, written off	31,951	82	53,306	31	85,258	13
Loss on silver money	—	—	37	59	37	59
„ „ protested bills, termin. loans, spec. curr. a/c., commercial credits and warrants	2,778,236	94	442,499	16	3,220,736	10
Expenses on dubious claims	37,380	92	6,617	07	43,997	99
Loss on sundries	11,766	68	957	59	12,724	27
	6,128,653	18	1,623,249	01	7,751,902	19
Total net profit	3,379,246	01	1,405,344	23	4,784,590	24
	9,507,899	19	3,028,593	24	12,536,492	43

Loss Account. *Credit.*

	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
Received:						
Interest on discounted bills	2,786,819	87	1,118,846	68	3,905,666	55
" " drafts	212,621	44	—	—	212,621	44
" " special current a/c.	2,942,758	86	1,420,703	72	4,363,462	58
" " terminated loans	748,042	71	72,312	93	820,355	64
" " commercial credits	253,293	12	1,349	40	254,642	52
" " a/c. of correspondents	978,259	25	—	—	978,259	25
" " sundries	5,295	32	4,277	65	9,572	97
Commission on transactions in foreign currency	1,362	28	19,455	20	20,817	48
Commission on discounted bills	56,669	71	31,983	46	88,653	17
" " special current a/c.	92,281	09	53,317	10	145,598	19
" " terminated loans	122,869	67	11,110	53	133,980	20
" " commercial credits	55,469	03	1,080	52	56,549	55
" " collections	80,700	56	36,927	50	117,628	06
" " transfers	16,938	23	17,031	57	33,969	80
" " warrants	313,265	38	26,170	02	339,435	40
" " sundries	57	32	5,952	75	6,010	07
Profit on gold specie	3,915	84	1,196	78	5,112	62
" " silver "	4,814	50	—	—	4,814	50
" " foreign currency and drafts	12,365	90	7,891	97	20,257	87
" " " " "with correspondents"	212,584	78	—	—	212,584	78
Profit on curr. a/c. in foreign curr.	11,978	74	2	37	11,981	11
" " bonds	91,926	71	1,778	21	93,704	92
" " bad debts recovered	490,958	64	190,578	17	681,536	81
" " sundries	12,650	24	6,626	71	19,276	95
	9,507,899	19	3,028,593	24	12,536,492	43

BALANCE SHEET

JANUARY 1, 1928.

Assets. Balance Sheet January

Accounts	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
Cash	6,027,787	12	8,202,541	30	14,230,328	42
Gold specie	1,060,465	98	16,716	40	1,077,182	38
Silver specie	321	40	4,378	30	4,699	70
Bullion	7,869,752	02	—	—	7,869,752	02
„ deposited by the Exchequer	14,732,890	75	—	—	14,732,890	75
Foreign currency	1,070,564	57	274,871	86	1,345,436	43
„ drafts	—	—	903	10	903	10
„ „ with correspondents	2,804,579	57	29,986	37	2,834,565	94
Postal cheques	998,817	91	492,626	87	1,491,444	78
Bonds	2,441,874	50	18,592	—	2,460,466	50
Discounted bills	37,624,580	28	16,715,620	78	54,340,201	06
„ „ with correspondents	328,388	49	765,148	94	1,093,537	43
Spec. curr. a/c. secured by bills	11,798,291	26	10,695,316	76	22,493,608	02
„ „ „ „ „ bonds & other oblig.	12,885,622	21	1,031,364	24	13,916,986	45
Spec. curr. a/c. secured by agricult. & ind. plant	1,311,806	33	1,230,634	45	2,542,440	78
Spec. curr. a/c. secured by goods	17,642,522	81	4,695,481	81	22,338,004	62
„ „ „ „ „ docum. for goods	1,114,648	37	183,100	98	1,297,749	35
Terminat. loans ag. bonds & other oblig.	7,773,391	94	430,464	29	8,203,856	23
„ „ „ agric. & ind. plant.	1,050,163	31	281,506	43	1,331,669	74
„ „ „ goods	99,320	—	30,496	13	129,816	13
„ „ „ docum. for goods	—	—	99,338	97	99,338	97
Commercial credits	3,231,880	42	14,324	93	3,246,205	35
Correspondents a/c. „Nostro“	47,725,417	78	—	—	47,725,417	78
Inventory	195,413	39	134,474	71	329,888	10
Real property	—	—	317,234	78	317,234	78
Dubious claims	2,194	—	457	—	2,651	—
Disbursements to be refunded	10,063	03	2,033	75	12,096	78
Branches	33,115,213	87	—	—	33,115,213	87
Various persons & institutions	2,192,534	65	—	—	2,192,534	65
State expenditure	115,262,973	29	—	—	115,262,973	29
	330,371,479	25	45,667,615	15	376,039,094	40
Bills & documents for collection	3,963,152	86	2,545,632	26	6,508,785	12
Transitory values	21,694,352	90	6,798,760	85	28,493,113	75
Various securities	140,683,744	15	39,314,459	35	179,998,203	50

Chief Accountant: *E. Lācis.*

1st 1928 (in lats). *Liabilities.*

Accounts	Head Office		Branches		Total	
	Lats	c.	Lats	c.	Lats	c.
Capital fully paid up	14,385,276	42	—	—	14,385,276	42
Reserve Fund	2,612,127	—	—	—	2,612,127	—
The Bank's active operat. security fund.	2,500,000	—	—	—	2,500,000	—
Banknotes issued	37,346,600	—	—	—	37,346,600	—
Fixed deposits	4,768,271	46	329,666	92	5,097,938	38
Net demand deposits	2,916,266	70	2,623,909	29	5,540,175	99
„ „ „ not bearing interest.	—	—	8,553	30	8,553	30
Current accounts	33,718,847	21	6,162,268	40	39,881,115	61
„ „ not bearing interest	4,072,369	66	904,333	85	4,976,703	51
„ „ in foreign currency	5,051,256	38	3,556	80	5,054,813	18
Inland transfers not paid out	552	58	1,000	—	1,552	58
Outward „ „ „ „	20,213	07	401	70	20,614	77
Inland payments ordered	12,062	17	10,956	08	23,018	25
Outward „ „	26,677	22	—	—	26,677	22
Correspondents a/c. „Loro“	557,054	31	—	—	557,054	31
Head Office a/c.	—	—	33,115,213	87	33,115,213	87
Various persons & institutions	—	—	130,613	68	130,613	68
Transitory sums	3,371,891	43	129,961	55	3,501,852	98
Interest received in advance	491,528	48	221,221	18	712,749	66
Exchequer	121,363,400	01	—	—	121,363,400	01
Govts deposits & spec. funds	92,372,494	91	2,025,958	53	94,398,453	44
Profit and Loss	4,784,590	24	—	—	4,784,590	24
	330,371,479	25	45,667,615	15	376,039,094	40
Delivered warrants & acceptances	10,286,685	49	248,995	80	10,535,681	29

Director General: *K. Vanags.* Deputy Director General: *V. Bandrevičs.*
Directors: *E. Ozoliņš, J. Stalbovs, St. Kambala.*

Inference of the Auditing Committee of the Latvijas Banka.

The Auditing Committee, having examined the Report of the Bank for the year 1927, and verified the balance sheet which is footed with Lats 376,039,094·40 on January 1, 1928, as also the profit and loss account showing a net profit of Lats 4,784,590·24, has found the above mentioned Report, balance sheet and profit and loss account, to be correct and in conformity with the entries in the books.

Extract of the Minutes regarding Meeting of the Council of the Latvijas Banka on April 26, 1928. No. 642.

The President states that the Auditing Committee has presented its inference on the Report of the Bank for the year 1927 and the balance sheet on January 1, 1928, having the following text: "The Auditing Committee, having examined the Report of the Bank for the year 1927, and verified the balance sheet which is footed with Lats 376,039,094·40 on January 1, 1928, as also the profit and loss account showing a net profit of Lats 4,784,590·24, has found the above mentioned Report, balance sheet and profit and loss account, to be correct and in conformity with the entries in the books."

The Council takes cognizance of this inference and, on the strength of § 49 of the Bank's statutes, decides to transmit the annual Report and the balance sheet on January 1, 1928, to the Minister of Finance for approval.

THE ECONOMIC POSITION IN 1927.

State Finances, Credit and Money Market.

Except in the inceptive period of State construction, the Latvian State budget has rendered a larger or smaller residue every year up to the present:

In the budget year	1922/23	— 21·6	million lats
„ „ „ „	1923/24	— 32·6	„ „
„ „ „ „	1924/25	— 17·1	„ „
„ „ „ „	1925/26	— 1·5	„ „
„ „ „ „	1926/27	— 4·6	„ „

The final results of the budget year 1927/28 have not yet been definitely established, but it is known that the surplus will be much larger than in the preceding year. Export duty has contributed largely to the increase of Revenue in the budget year 1927/28, especially in consequence of the brisk export of timber materials. To a lesser extent the revenue from various duties, taxes and Excise has increased. On the other hand, the net profit from the spirit monopoly has decreased perceptibly, and the flax monopoly has rendered a slightly smaller profit than in the preceding year.

The burden of direct taxes is very keenly felt by the population of Latvia, and this is the chief cause of complaint. On examining the Budget, however, we find that direct taxes constitute only a small part of the State's revenue, being less than $8^1/_2\%$ of the whole. In reality, the percentage is much higher, but the State receives the smaller portion of these taxes, the remainder being paid to the communal administrations.

As the direct taxes are paid only once a year, they have a marked influence on the budget of taxpayers when they fall due. The taxpayer is less aware of the various taxes and duties on articles of consumption, as Customs duties, monopolies and Excise duty, which are paid in small instalments throughout the year, than of the direct taxes which have to be paid in a lump sum.

Two monopolies are still in force in Latvia, viz., the spirit and the flax monopolies. The former has always been one of the State's principal sources of revenue. Last year, however, it showed a declining tendency, and this will doubtless continue in the future, because the consumption of beer, which has been released from the restrictions of the law against intemperance, will increase at the expense of spirit. Nevertheless, the spirit monopoly will doubtless continue to be an important source of easily accessible revenue. The flax monopoly, on the other hand, has lost its fiscal significance completely. No longer does the State aim at exploiting the flax growers through this monopoly, as was the case in former years and especially during the inceptive period when the flax monopoly was the principal source of revenue.

The State Budget for the current year, together with subsequent additions,

aggregates 163·6 million lats. Thereof, 107·12 million lats are assigned for ordinary expenditure and 56·47 for extraordinary. The main items of the ordinary budget of expenditure are: Defence of the State 31·7% of the ordinary budget, Education 17·4%, Social Relief and Protection of Labour 9·9%, Internal Security 7·6%, and Communications 5·1%. The percentage of expenditure for the defence of the State and internal security is decreasing steadily year by year, while there is a gradual increase of expenditure every year for cultural purposes and social relief. The extraordinary expenditure is employed, for the most part, for State credits, 20·56 million lats having been assigned for this purpose last year, 15·55 million lats for improving the means of communication (building new railways and highroads, extending the telephone and telegraph net etc.), 7·15 million lats for the requirements of the War Office, 3·2 millions as founded and operative capital of State enterprises etc. Obviously, therefore, the extraordinary revenue of the State is utilized mostly for granting credits which have to be repaid and passed to the State Reserve Fund, or for other productive purposes, e. g., the sum of 12·9 million lats spent on the building of the new railroad from Glūda to Liepāja in the past three budget years

The instalments of State debts which become due are included in ordinary expenditure at present. The total amount of Latvian State debts is inconsiderable and decreasing from year to year. It attained the maximum in the year 1922, viz., 116·4 million lats, but dropped to only 84·2 million lats by January 1, 1928. Subtracting the unimportant internal debt, we find that the balance consists of debts incurred during the war, viz., £ 2,150,000 to Great Britain and $ 5,645,000 to the United States of America. It may almost be said that there is not a single country in the world so little involved in debt as the Latvian State. The stocks of gold and foreign currency at the disposal of the Latvijas Banka and the Ministry of Finance exceed by far the aggregate State debt.

As private credit is not sufficiently well developed in Latvia, the State has to employ its own resources for crediting and promoting economic reconstruction and production in general, for which purpose large sums are included in the budget every year, as the following table shows:

1922/23	2·40	million lats
1923/24	13·02	„ „
1924/25	16·57	„ „
1925/26	16·52	„ „
1926/27	18·46	„ „
1927/28	20·56	„ „

Thus, in the course of six years, provision was made in the budget and a sum of 87·5 million lats was utilized for credit purposes. Of these assignments, the State Land and Mortgage Banks receive 15 to 20 million lats every year. In this way, a Reconstruction Fund has been founded, and it amounted to 89·2 million lats in 1927. The entire sum is invested in loans to private enterprise. The interests received therefrom are passed to State Revenue, while the repaid capital is utilized for granting new loans. The budgetary residues, aggregating

nearly 90 million lats in the course of the past six years including 1927/1928, are not added as Revenue to the budget of the following year, but left as State deposits in the Latvijas Banka to be employed by the latter for credit purposes. On April 1, 1928, at the end of the budget year, the following State sums were placed in the Latvijas Banka: 47 million lats State Reserve, 26·4 millions of the provisional surplus of the last year, 14·7 millions of the Gold Fund and 14·5 million lats of the Foreign Currency Operations Fund, total 102·6 million lats, excluding the deposits of various State institutions and courts of justice amounting to about 14·5 million lats. Furthermore, the State institutions and autonomous enterprises had current accounts and deposits for about 38 million lats in the Bank on April 1, 1928.

Year by year the State absorbs through taxation more private capital than is actually necessary for the State's own expenditure. Thus, the State stimulates the demand for credit in private enterprise. The amount of credits granted by the State aggregated 280 million lats on January 1 of this year. It cannot be denied that the increased indebtedness of the population to the State impedes the economic development of the country. It is often necessary to borrow money to repay earlier loans. This leads to economic difficulties of a rather lasting nature. It became obvious that a remedy would have to be found. The Ministry of Finance and the State credit institutions had some conferences towards the end of last year, and although the discussions did not lead to any radical change in the credit policy of the State, it was resolved to alleviate the position of debtors by lowering the rates of interest on loans. The State can afford to do this, as it need not profit on sums rendered by the budget and loaned out for productive purposes. The situation would be different if the State had acquired the said means through a foreign loan. In such a case, the State would have to make supplementary provision in the budget, in order to make credits cheaper. This would denote the granting of support to certain debtors at the expense of others.

Conditions were quiet in the Latvian money market last year, the quotations of Latvian currency being absolutely stable. Actual short term credit was more easily obtainable than in previous years, as is proved by the accumulation of free resources in some of the leading credit institutions. However, it was not possible to cope entirely with the demand for long term credit last year. Difficulties arose owing to the heavy indebtedness of private enterprise and the lack of free resources. The increase of export and the growth of foreign capital investment augmented the amount of money in circulation, which had been insufficient hitherto, and relieved the tension in the money market. The number of protested bills decreased at the end of the year. Great importance attaches to the fact that the additional issue of bank-notes has not taken place by granting new credits in disagreement with the present course of the Bank's credit policy. Fresh funds were necessary for buying the foreign currency flowing into Latvia, and this led to the increased issue of bank-notes. The money market was also much relieved by the lowered rates of interest on loans.

The present tendency of the State's credit policy is to transfer to the State Land and Mortgage Banks the short term loans granted by Latvijas Banka to

agriculture and industry, simultaneously converting these loans into long term transactions with less stringent conditions for debtors. For facilitating this process it is intended to utilize this year 12 million lats out of the surplus of last year's budget, and further amounts in the following years. This will further improve conditions in the money market.

Private Credit Institutions.

Latvian private credit institutions continued developing their activities in 1927, as is evidenced by the increase of their aggregate balance sheets by 14%. Compared with the increase of 21% in the preceding year, progress has obviously been less rapid, and this is due to the greater care exercised by the banks in their credit transactions and to the stabilization of economic conditions. The number of credit institutions no longer increases so rapidly as in previous years, owing partly to the aforementioned causes and partly to the high minimum of capital necessary by law for founding joint-stock banks. The number of joint-stock banks remained unchanged last year, viz., 20, — the Exchange and municipal banks — 5, while the number of mutual credit societies even decreased from 35 to 33. A perceptible increase is registered only in regard to loan and savings banks, which numbered 531 on January 1, 1926, and 587 a year later. However, the increase in the number of these credit institutions is also less rapid than in previous years, e. g., 207 new societies were registered in 1924; 91 in 1925; 61 in 1926 and only 31 in 1927. The establishing of new mutual loan and savings banks depends in a certain degree on the credit policy of Latvijas Banka. If there are good prospects of obtaining credit, such institutions are founded readily; if not, their promotion subsides, as it is known that loan and savings banks in Latvia are seldom able to operate exclusively with their own resources.

The development of all Latvian private credit institutions in the past year is portrayed by the following aggregate balance sheet in brief:

Balance of Private Credit Institutions on January 1.

Assets (Lats, in thousands).

Accounts	1927	1928	Difference	Difference in % %
Cash	4,706	5,327	+ 621	+ 13
Current accounts in the Latvijas Banka	2,917	3,986	+ 1,069	+ 37
„ „ „ other credit institut.	3,181	4,143	+ 962	+ 30
Foreign currency	2,216	4,895	+ 2,679	+ 122
Bonds	2,836	3,691	+ 855	+ 30
Discounted bills	70,882	77,034	+ 6,152	+ 9
Loans	48,662	52,798	+ 4,136	+ 8
Special current accounts	50,093	60,916	+ 10,823	+ 22
Commercial credits	3,418	2,426	— 992	— 29
Correspondents	21,409	18,918	— 2,491	— 12
Protested bills	1,700	1,897	+ 197	+ 12
Real property	13,758	16.351	+ 2,593	+ 19
Sundries	31,047	39,976	+ 8,929	+ 29
Total	256,825	292,358	+ 35,533	+ 14

Liabilities (Lats, in thousands).

Accounts	1927	1928	Difference	Difference in %/%
Capital	38,991	44,418	+ 5,427	+ 14
Reserve fund & special reserve	6,519	7,154	+ 635	+ 10
Fixed deposits	10,138	11,616	+ 1,478	+ 15
Net demand deposits	10,126	11,290	+ 1,164	+ 11
Current accounts	47,824	60,123	+ 12,299	+ 26
Rediscount in the Latvijas Banka	35,816	39,481	+ 3,665	+ 10
„ „ other credit institutions	4,249	7,093	+ 2,844	+ 67
Loans and special current accounts	31,443	28,127	— 3,316	— 11
Correspondents	27,312	29,321	+ 2,009	+ 7
Sundries	44,407	53,735	+ 9,328	+ 21
Total	256,825	292,358	+ 35,533	+ 14

In general, the resources of credit institutions increased last year. This applies not only to their own capital, but also to deposits, current accounts and rediscount in other credit institutions, especially in Latvijas Banka. Loans received by credit institutions have decreased owing to the fact that the Latvijas Banka has converted its loans against agricultural plant into special current accounts secured by bills. Nevertheless, it is obvious that the increase of resources has not been so rapid as in previous years. This is noticeable especially in regard to reserve funds and deposits. The average percentage of profit has declined from year to year, leaving a constantly decreasing amount for addition to the reserve fund. The prevailing lack of free resources and the loss of pre-war savings in Russian currency have naturally not stimulated in the population a desire to bank their savings.

Considering the limited resources of Latvian credit institutions, it may be said that they were very successful last year in augmenting the means at their disposal, e. g., capital by 6 million lats and deposits by 15 millions. On the other hand, the resources received from Latvijas Banka, other credit institutions and correspondents presented a comparatively smaller increase (by about 5 million lats altogether). The following table portrays the increase of their own and of other people's resources at their disposal in the past year, whereby it should be observed that correspondents' sums are not included in the category of other people's resources, as these sums vary too widely in local credit institutions to serve the purpose of comparison.

Groups of credit institutions	Own resources				Other people's resources			
	1 I. 1927		1 I. 1928		1 I. 1927		1 I. 1928	
	Ls, in mill.	%/%	Ls, in mill.	%/%	Ls, in mill.	%/%	Ls, in mill.	%/%
Joint-stock banks	62·6	77	71·9	78	18·3	23	20·6	22
Exchange and town banks	7·7	65	11·2	75	4·2	35	3·7	25
Town and communal savings banks	2·0	77	2·5	81	0·6	23	0·6	19
Mutual credit societies	13·1	58	15·0	60	9·5	42	9·8	40
Loan and savings banks	28·1	42	33·9	46	38·9	58	40·0	54

This comparative table shows that all categories of credit institutions became more independent last year, the percentage of other people's resources at their disposal having decreased. The joint-stock, exchange and town banks and the communal savings banks are in a lesser degree dependent on strange resources, while the mutual credit societies and, especially, loan and savings banks are more dependent on the same. Among these resources, the credits of the Latvijas Banka dominate everywhere.

The private credit institutions utilized their increased resources, as in the preceding year, principally for loan operations, which increased last year by 20 million lats (by 19 millions in 1926). The stocks of foreign currency increased perceptibly, consequent on the increased export of timber materials and the influx of foreign currency. The cash situation in credit institutions and their current accounts in Latvijas Banka improved, compared with the situation registered in the preceding year; but have not yet attained the desired extent. In the past year, large sums were invested in real property, the total value of which increased by 19%, which is rather large in proportion to the resources at the disposal of private credit institutions.

The following table is illuminating as to the classification of private credit institutions in Latvia:

Balance of Private Credit Institutions on January 1.

Assets (lats, in thousands).

Accounts	Joint-Stock Banks		Exchange & Town Banks		Communal Sav. Banks		Mutual Credit Societies		Loan & Savings Banks	
	1927	1928	1927	1928	1927	1928	1927	1928	1927	1928
Cash	2,454	2,721	464	710	63	39	504	639	1,221	1,218
Current accounts in the Latv. Banka	1,108	1,550	585	999	221	83	417	483	586	871
„ „ „ other cred. inst.	896	1,106	10	21	40	259	670	360	1,565	2,397
Foreign currency	2,076	3,761	87	1,026	3	12	50	91	—	5
Bonds	1,870	2,592	94	135	18	26	190	272	664	666
Discounted bills	28,535	31,803	5,749	6,512	1,118	1,324	15,152	15,922	20,328	21,473
Loans	3,539	4,051	1,381	1,464	462	580	1,788	1,466	41,492	45,237
Special current accounts	45,186	54,850	2,563	2,573	192	411	2,152	3,082	—	—
Commercial credits	3,398	2,378	9	40	—	—	11	8	—	—
Correspondents	18,292	15,961	2,216	2,515	179	105	722	337	—	—
Protested bills	707	487	33	15	11	17	283	315	666	1,063
Real property	6,576	8,158	1,027	1,025	291	308	2,946	3,524	2,918	3,336
Sundries	22,508	26,720	2,544	3,480	155	183	2,999	3,464	2,841	6,129
	137,145	156,138	16,762	20,515	2,753	3,347	27,884	29,963	72,281	82,395

Liabilities (lats, in thousands).

Accounts	Joint-Stock Banks		Exchange & Town Banks		Communal Sav. Banks		Mutual Credit Societies		Loan & Savings Banks	
	1927	1928	1927	1928	1927	1928	1927	1928	1927	1928
Capital	26,400	29,800	2,182	2,393	274	289	2,379	2,681	7,756	9,255
Reserve fund & special reserve	1,937	1,699	125	266	9	11	1,893	2,331	2,555	2,847
Fixed deposits	2,518	2,925	671	795	627	454	1,538	1,891	4,784	5,551
Net demand deposits	1,509	1,133	159	167	866	1,249	1,167	1,225	6,425	7,516
Current accounts	30,262	36,382	4,598	7,619	261	515	6,078	6,858	6,625	8,749
Re-discount in the Latvijas Banka	7,583	9,387	3,154	2,758	478	543	6,900	6,973	17,701	19,820
„ „ other credit inst.	2,752	5,257	—	—	2	2	59	147	1,436	1,687
Loans & spec. current a/c.	7,919	6,000	1,091	973	110	67	2,552	2,630	19,771	18,457
Correspondents	24,555	25,445	2,280	3,011	22	8	455	857	—	—
Sundries	31,710	38,110	2,502	2,533	104	209	4,863	4,370	5,228	8,513
	137,145	156,138	16,762	20,515	2.753	3,347	27,884	29,963	72,281	82,395

Nearly a half of the amount presented by the aggregate balance sheet of credit institutions belongs to joint-stock banks. In part, the latter augmented their capital last year, but their reserve funds decreased owing to unfavourable commercial results. The increase of resources is due chiefly to the increase of current accounts (by 6 million lats). The total amount of loans has not changed. The resources of other banks at the disposal of joint-stock banks in the form of rediscount, loans and correspondents' accounts increased by over 3 million lats altogether. The joint-stock banks enlarged their credit operations considerably (particularly special current accounts and bill discount), cash in hand and current accounts, as also their stocks of foreign currency. Operations became more intensive, 79% of resources being invested in loan operations, as against 76% a year ago. The joint-stock banks have also invested fresh sums in real property (1·5 million lats). As the founding of new joint-stock banks has ceased in recent years, consequent on the minimum capital of 5 million lats stipulated by law, the existing banks have fair chances of developing. And, as a matter of fact, their development is evidenced by the average joint-stock balance which totals 7·8 million lats at present, as against 6·9 millions a year ago. The average resources of the joint-stock banks are undoubtedly insufficient, and it would seem desirable to create larger institutions by amalgamating some of the existing banks, but there are little prospects of achieving this, as none of the banks will resort to amalgamation willingly.

The exchange and town banks present a large increase of collected resources, mostly in the form of current accounts; but their rediscount and loans received from Latvijas Banka have decreased, though not to such an extent as, on the other hand, their collected resources and correspondents' accounts have increased. Through the changes which took place in the stocks of resources last year, the exchange and town banks became far more independent than hitherto. They have increased their cash amounts, their current accounts in Latvijas Banka, their stocks of foreign currency, as also loan operations and especially the discount

of bills. On the whole, however, this group of credit institutions has become more reserved in its active operations, as is evident from the decreased total of loans in proportion to the amount of resources in use. Whereas, a year ago, 68% of the resources were utilized for loan operations, the percentage has declined to 59% at the beginning of the current year.

Although the small town and communal savings banks are of little significance in Latvia, it may be said that they developed successfully in the past year, having acquired more deposits and current accounts and augmented their loan operations.

It is indeed surprising that, in the past year, the balance sheets of the mutual credit societies showed the smallest increase, though they developed more rapidly than the other credit institutions a year ago. Nevertheless, the fact remains that, according to their aggregate balance sheet, their capital, deposits and current accounts, partly also their credits in Latvijas Banka and other credit institutions have increased, and these are doubtless favourable indications of development. The increase of collected resources (about 2·5 million lats) has been utilized in part only (1·5 million lats) for loan operations. Therefore, the intensity of operations of these societies receded in the past year from 83 to 80% (total loans from total resources).

Finally, as regards the many small loan and savings banks, it may be observed that the particulars of their condition on January 1 of this year are only provisional, as no final data are yet available. The loan and savings banks are gradually tending towards greater independence, owing to their increasing capital, deposits and current accounts. At present, however, they still call on the Latvijas Banka for the bulk of their resources. These credit institutions do not hold sufficiently large sums of money in cash. Their current accounts in other credit institutions, though increasing, have not yet reached a high level. These banks augmented their loans by nearly 5 million lats last year, for which purpose they employed mostly their own collected means. In future, these credit institutions will have either to become more independent or wind up their affairs, as it is resolved to transfer to the State Land Bank the loans of the Latvijas Banka to farmers (which transactions had been effected largely through the loan and savings banks), converting the same into long term loans granted to farmers direct, without the intermediary of private credit institutions. As the loan and savings banks figure principally as distributors of State credits, they are of less positive significance than the other more independent institutions. Moreover, their intermediate rôle increases the cost of State credit, which is not desirable.

Agriculture.

Conditions have not been altogether favourable to Latvian agriculture in recent years. In the first place, climatic conditions have not been conducive to satisfactory yields, and the latter have been below the average level. Secondly, the agrarian reform is not yet fully accomplished, but continues to absorb very

considerable resources and necessitates strenuous work on the part of the new farmers in organizing their economic units, erecting buildings and supplementing their live stock and agricultural plant. In recent years the new farmers have spent large sums chiefly for building purposes. The old farmers were confronted with these difficulties in the earlier post-war years, and they overcame them with extraordinary energy and diligence. At present, the same may be said of the new farmers, who have established about 57,000 new economic units so far. Apart from their own labour, the new farmers had to acquire other resources essential to the constructive process. And so, at the beginning, they took money in the form of short term credits. The resources invested in buildings are very slow in yielding profit and, considering the low percentage rendered by agriculture, these sums may be repaid only in the course of several decades. At present, building expenses are a very heavy burden to Latvian agriculture, whose income is in no wise increased by the erection of new buildings. The period during which short term credits are being gradually converted into long term loans is the most difficult one for farmers.

Thirdly, Latvian farmers have had to alter their economic system in recent years. From the cultivation of corn and flax they have had to adopt methods by which agriculture is combined with dairying. In the years immediately after the war, the prices of grain and flax were high, and the farmers were satisfied with the results of agriculture alone. But corn prices have been falling since 1921 and, at the same time, there is a marked increase in the prices of milk products. During this period, the price of butter has risen by 50%, while the price of rye has dropped by 30%. Until 1923 the farmers produced butter chiefly for their own requirements, and marketed only a certain quantity of medium quality butter. Since 1923, however, prime attention has been paid to dairying. In the space of 2—3 years the quantity of butter produced for foreign markets increased rapidly. This change of the agricultural system involved heavy expenditure, for the farmers had to improve the quality of their livestock and organize dairies.

Reviewing the conditions prevailing at present in Latvian agriculture, we have to consider that the cost of labour is much higher than before the war. The wages of agricultural labourers have increased by 30% since 1914, but the intensity and productivity of labour have not progressed in the same degree. Wages figure prominently in the aggregate budget of our farmers. And the high wages affect the balancing of income and expenditure, as also the remunerativeness of agriculture.

Agricultural conditions were worse last year than in 1926. The area cultivated with cereals decreased. Climatic conditions were unfavourable in the spring of 1927, and it was not possible to sow the summer seed, especially oats, in due time. In the first post-war years the area cultivated with oats increased rapidly, surpassing even the pre-war level in 1923. But in recent years this area has been decreasing and, in 1927, was not larger than before the war. The area cultivated with barley also decreased last year. The aggregate cultivated area in thousands of hectares was as follows:

	Bread corn			Other corn					Potatoes	Linseed
	Rye	Wheat	Total	Barley	Oats	Mixture	Peas	Total		
1909—1913 . .	350·7	32·6	383·3	191·0	305·9	—	23·3	520·2	79·6	69·6
1920—1922 . .	219·9	20·9	240·8	142·2	246·9	47·0	26·9	463·0	59·0	34·1
1923—1925 . .	266·4	44·6	311·0	178·0	324·4	69·5	38·1	610·0	77·8	65·0
1926 . . .	251·3	49·5	300·8	190·3	320·8	66·2	38·2	615·5	82·1	63·8
1927 . . .	256·3	58·7	315·0	185·3	305·2	67·7	36·6	594·8	85·5	63·2
In percentage 1909—1913 = 100.										
1920—1922 . .	62·7	64·4	62·8	74·5	80·7	—	115·4	89·0	74·1	49·0
1923—1925 . .	75·9	136·8	81·2	93·1	106·0	—	163·5	117·2	97·7	93·3
1926 . . .	71·6	151·8	78·5	99·7	104·9	—	163·9	118·3	103·1	91·6
1927 . . .	73·0	180·0	82·1	97·0	99·8	—	157·1	114·4	107·4	90·8

The area cultivated with cereals in general (except wheat and rye) shrunk from 615,500 to 594,800 hectares, or by 20,700 hectares. But the area under rye and, particularly, wheat, increased, as the seed wintered well. Climatic conditions were favourable in autumn 1926 and in winter. At present, the total cultivated area even exceeds the average pre-war level by 6000 hectares, though the area of corn seeds represents thereof only 82·1%, the other cereals exceeding it by 14·4%. Considerable improvement is obvious, compared with the first post-war years (1920—1922). At present, the area under wheat is 80% and that under peas 57·1% larger than before the war. This increase may be ascribed to the protective duties on these two cereals, which consequently render a sufficiently fair margin of profit to the farmers. On the whole, it may be said that the post-war area cultivated with flax has been smaller than before the war. In 1927 it was only 91% of the pre-war level. Flax prices often fluctuate in the world market, and the proceeds often do not suffice to cover the cost of production. Consequently, the flax area has been decreasing in recent years. Flax prices were rather high in 1927, and the State paid the growers certain premium rates over and above the fixed prices.

The yield per hectare of winter corn was rather good last year. It exceeded the average pre-war level by 10%, and the level of the preceding year (1926) by 30—40%.

The Yield per Hectare (in kilograms).

	Rye	Wheat	Barley	Oats	Mixture	Peas	Potatoes	Flax	Linseed
1909—1913 . . .	929	1,235	905	912	—	770	8,025	365	434
1920—1922 . . .	833	911	826·3	819	921·7	887	9,138·7	376·3	390·6
1923—1925 . . .	996	1,257	885·7	837·3	998·7	835	8,628·7	352·7	385·0
1926	617	1,079	991	860	1,028	911	12,344	387	397
1927	1,013	1,344	702	580	844	723	8,390	263	294
In percentage 1909 — 1913 = 100.									
1920—1922 . . .	89·7	73·5	91·3	89·8	—	115·2	113·9	103·1	90·0
1923—1925 . . .	107·2	102·0	97·8	91·8	—	108·4	107·5	96·6	88·7
1926	66·4	87·5	109·5	94·3	—	118·3	153·8	106·0	91·5
1927	109·0	109·0	77·6	63·6	—	93·9	104·5	72·0	67·7

The yield per hectare of summer seed was insufficient in 1927, being 30—40% smaller than in 1926. Compared with the pre-war yield, it was 23% (barley) and 37% (oats) smaller. Thus, the yield of summer grain was bad last year. The potato crop was somewhat larger than before the war (by 5%), but was only two-thirds of the preceding year's record crop. The aggregate yield of winter cereals was considerably larger last year than in 1926, as the following table shows (tons, in thousands):

The Yield of Produce.

	Bread corn			Other corn					Potatoes	Flax	Linseed
	Rye	Wheat	Total	Barley	Oats	Mixture	Peas	Total			
1909—1913 . .	325·4	38·5	363·9	172·8	279·0	—	17·9	469·7	638·5	30·2	25·4
1920—1922 . .	180·7	19·3	200·1	118·5	207·1	44·3	23·8	393·7	574·6	13·5	13·6
1923—1925 . .	262·7	48·9	311·6	156·9	271·0	68·4	31·8	528·1	668·2	25·1	23·0
1926 . . .	155·4	50·6	206·0	188·6	275·9	68·0	34·9	567·4	1,013·5	25·3	24·7
1927 . . .	258·8	71·7	330·7	130·1	177·2	57·1	26·5	390·9	717·4	18·6	16·6
In percentage 1909 — 1913 = 100.											
1920—1922 . .	55·5	50·1	54·5	68·5	74·2	—	132·9	83·8	89·9	44·7	53·5
1923—1925 . .	80·7	127·0	85·6	90·7	97·1	—	177·6	112·4	104·6	83·1	90·5
1926 . . .	47·8	131·4	56·6	109·1	98·8	—	194·9	120·8	158·7	83·7	97·2
1927 . . .	79·5	186·2	90·8	75·2	63·5	—	148·0	83·2	112·3	61·5	65·3

155,000 metric tons of rye were harvested in 1926, as against 258,000 tons in 1927, and 50,600 tons of wheat, as against 71,700 tons in 1927. On the whole, the aggregate yield of winter corn increased from 206,000 to 330,700 tons. Notwithstanding this, the average pre-war level has not yet been recovered, owing to the decreased cultivation of rye. The aggregate yield of summer cereals was very small last year, — only 390,900 tons, as against 567,400 tons harvested in the preceding year. It amounted to only 83·2% of the average pre-war yield. Thus, the harvest was very poor last year and resulted in heavy losses to the farmers.

Value of Produce (lats, in millions).

	1913	1921	1922	1923	1924	1925	1926	1927
Rye	57,962	66,738	34,459	51,812	63,679	73,195	39,000	65,089
Wheat	9,253	7,938	7,204	12,698	15,162	19,061	16.686	22,821
Barley	36,198	29,452	21,242	22,693	37,322	38,754	38,489	29,710
Oats	54,732	38,735	37,155	40,950	55,255	66,118	54,108	39,631
Peas	6,527	6,418	5,715	4,246	10,130	11,601	12,924	9,786
Potatoes	38,729	34,526	24,380	35,572	46,273	67,541	81,077	64,562
Flax:								
Linseed	5,954	4,005	4,405	5,746	10,134	9,802	8,116	5,553
Flax	26,934	11,693	31,234	28,849	38,694	53,376	32,688	36,415
Total . .	236,289	199,505	165,794	202,566	276,649	339,448	283,088	273,567
Index numbers . .	100·00	84·43	70·16	85·73	117·08	143·66	119·80	115·78

It is obvious that while the total value of the rye, wheat and flax crops increased, that of barley, oats, peas and potatoes declined below the level of the

preceding year. The prices of cereals did not change markedly in 1927. The Government published regulations on the organizing of the internal corn market, in order to make the farmers independent of the fluctuating corn prices. The Ministry of Finance granted loans to co-operative organizations so as to regulate the grain market. Loans have also been granted since last autumn for erecting large granaries. By these means it is intended to preclude the possibility of such fluctuations as occurred so often in previous years.

Owing to the small harvest of 1926 the import of grain increased last year, though not to such an extent as in 1924—25.

	Import								Export			
	Value in 1000 lats				Quantity in tons				Quantity in tons			
	Rye	Wheat	Oats	Barley	Rye	Wheat	Oats	Barley	Rye	Wheat	Oats	Barley
1923 . . .	7,127	8,692	1,109	—	35,569	31,901	6,004	—	—	—	11,508	3,803
1924 . . .	11,991	14,767	3,684	1,442	55,427	51,795	18,823	6,715	70	113	4,652	2,702
1925 . . .	18,782	17,704	1,990	1,337	72,594	48,212	8,122	4,973	3,951	78	2,701	2,246
1926 . . .	11,155	14,795	1,204	679	51,997	42,530	6,015	3,105	1,726	41	290	1,071
1927 . . .	13,930	16,051	2,751	874	53,763	45,740	12,923	3,241	484	37	70	1,458

The value of imported grain (rye, wheat, oats and barley) varied as follows in the past three years: 39·8 million lats in 1925, 27·8 in 1926 and 33·6 millions in 1927. Thus, the import of grain, especially rye, increased by 6 million lats last year. The 1927 harvest will not suffice to cover the entire internal demand, and there will be a shortage of wheat, oats and barley.

In regard to the export of agricultural produce, *flax* is the most important article. Prices were comparatively high in 1927, and profitable sales were effected at the beginning of the year. The export of potatoes (to Sweden) was not large last year, amounting to only 3000 tons for the sum of 0·3 million lats.

The use of artificial manure was popular in Latvia already before the war. Since the war, the Government has been promoting the use of fertilizers, and since 1920 the farmers have been steadily increasing their expenditure for this purpose. Of late, however, there has been a slight relapse. The import of fertilizers involved 7·4 million lats in 1925, 7·8 millions in 1926 and 6·7 millions in 1927, in which year a superphosphate factory was founded in Riga and produced 19,220 tons in the first year of its activity, 3220 tons of which were exported. Altogether, our farmers spent 7·9 million lats for fertilizers last year. In the opinion of some experts, these are cases in which the farmers do not employ the artificial manure rationally, the result being that no benefit whatever is derived therefrom. This is a matter which requires investigation.

Increasing attention is being paid to stock farming year by year. The number of livestock is growing steadily (sheep being the only exception). The number of horses increased last year by 4300, and exceeded the pre-war number by 49,300 or by 15%. The number of cattle increased by 11,600 head and, at present, exceeds the pre-war number by 6%. The number of pigs, though

increasing, has not yet recovered the pre-war level. Pig-breeding has made great progress in Latvia since 1925, and is stimulated by the growing export of bacon. The prices of bacon and other meat products fell in the world market last year, and this diminished the value of meat products exported. The Government and the leading co-operative organizations do the utmost to promote the export of meat products. A new slaughter-house was erected in Riga last year, and it is intended to build some new ones in the provinces. A new law was published last year on slaughter-houses and the control of meat, which will help to improve the quality of export meat and afford buyers a guarantee of purity and fitness. The import of livestock has been decreasing lately, being restricted only to requirements for improving the breed.

The importance of the income derived from dairying is growing from year to year in the budget of our farmers. The latter are doing the utmost to increase the number of livestock and improve the breed. Although considerable progress has been made in dairying in recent years, there is still much room for development. The output of only 35—40% of the total number of milch-cows is delivered to the dairies in Latvia at present, as against 80% in Denmark. The quality of Latvian butter is constantly improving, as is evident from the frequent exhibitions of milk products. The export of butter increased markedly in the past 5—6 years: it attained a value of 2,760,000 lats in 1922, which was only 2·7% of the aggregate export, as against 41·3 million lats and 18·8% of the aggregate export in 1927. Compared with conditions in the preceding year, the situation in the butter market improved last year. The average price of first grade butter rose by 5%. The increase of butter export was not so rapid last year as in former years. The other branches of agriculture are of little significance in the aggregate budget of the farmers.

Compared with the pre-war standard, the wages of agricultural labourers increased by 80%. But there was a slight downward tendency last year. There has been a great lack of local farm labourers since the war. The Government does not impede the enlistment of summer labourers from Lithuania.

The following are the principal difficulties in the way of our farmers: The reconstruction of the economic units, which were destroyed during the war, and the realization of the agrarian reform have necessitated a supreme effort and heavy expenditure. The farmers were unable to cope with all these demands with their own limited resources, but were obliged to borrow money, whereby in some cases they made use of credits which were not adapted to their conditions and needs. The borrowed sums have now to be repaid, and they constitute a very heavy burden. Furthermore, climatic conditions have been very unfavourable in recent years, resulting in subnormal crops. Fluctuating prices and the unsettled condition of the internal market have had an unwholesome effect on the income of farmers, who do not obtain the normal world market price for their products, especially corn and flax. Naturally, all this is not conducive to the development of these branches of agriculture, which would otherwise render considerable revenue to the farmers. Finally, compared with the pre-war standard, wages have increased considerably, while the intensity of labour has diminished.

Industry.

Although the number of workers engaged in Latvian industries is constantly increasing, it is still far below the pre-war level, which cannot be attained in the near future. Before the war, Latvian industries found a vast and receptive market in Russia for their output. At present, only small quantities of goods are sold to the Soviet Union.

The industrial enterprises in Latvia to-day are working principally for local requirements and, partly, working up agricultural produce for export. This has led to a perceptible increase in the number of small undertakings, while the average number of hands per enterprise is much smaller than before the war: from 119 in the year 1910 to 11 in 1922, and to 18 in 1926. The total number of enterprises in operation before the war was four times smaller, but the number of hands employed then was twice larger than at present. The average number of hands employed has been increasing lately. New enterprises have been established and old undertakings revived at present. The large undertakings are not satisfied with the limited requirements of the internal market. They therefore endeavour to gain access to foreign markets. Certain branches of Latvian industry have been exporting their products with success in recent years, gradually augmenting their activities and entering new markets.

The following particulars portray the development of Latvian foreign trade in manufactured goods (lats, in millions):

	Import	Export	Difference
1923 . .	106·2	12·2	94·0
1924 . .	119·5	18·4	101·1
1925 . .	132·4	25·2	107·2
1926 . .	131·4	37·1	94·3
1927 . .	114·7	40·3	74·4

The export of manufactured goods increased from 12·2 to 40·3 million lats in 5 years, while the import of the same decreased. This testifies to the development of our export producing industries, apart from the fact that the domestic industries are, in a constantly increasing degree, coping with the local demand and ousting foreign manufactures from the internal market.

The number of hands employed in Latvian industries has been increasing markedly since the war: about 31,000 hands were engaged in 1922; 49,700 in 1926 and 51,500 in 1927. The total number of persons (workmen and employees) in industrial service in 1926 was 54,500, and in 1927 — 57,200. The average yearly increase of the number of hands employed attains 4000. In prevailing conditions and considering that this country was devastated by the war and has but little capital of its own, the rapid development of industry may be ascribed only to the favourable geographical position of Latvia and to the traditional significance of industry in this area. The advantages of our geographical situation will be still more perceptible when conditions return to normal in Russia and

the purchasing power of the Soviet population increases. To these prospects may be attributed the participation of foreign capital in Latvian industries.

The following table is illuminating as to the number of industrial enterprises, hands employed and output registered in 1925 and 1926:

	Number of enterprises	Number of persons employed			(Lats, in thousands)
		Total		Thereof workers 1926	
		1925	1926		
A. Mining:					
I. Mines and quarries, peat-cutting works . .	3	288	158	157	103
B. Manufacturing:					
II. Ceramic industry, stone goods and adhesives	101	3,522	2,619	2,420	6,216
III. Metal industry	275	9,997	10,117	8,408	28,346
IV. Chemical industry	97	3,682	3,972	3,433	34,783
V. Leather industry	53	1,313	1,138	965	13,191
VI. Textile industry	270	6,270	6,625	5,935	29,837
VII. Mechanical wood-turning	272	9,316	11,068	10,061	40,338
VIII. Paper industry	29	2,461	2,642	2,397	15,147
IX. Polygraphic industry	115	3,106	3,186	2,735	12,119
X. Foodstuffs	1,284	9,720	10,236	8,543	96,938
XI. Clothing workshops, shoe making and toilet art.	100	2,340	2,152	1,876	12,731
XII. Building	77	1,362	2,024	1,847	6,766
XIII. Gas, electricity and water-works	45	944	1,076	724	10,057
XIV. Hygiene	11	168	190	171	300
	27,32	54,489	57,203	49,672	306,872

The total value of industrial output in Latvia has increased as follows: from 214·6 million lats in 1923 to 243·4 millions in 1924, 276·2 millions in 1925 and 306·9 millions in 1926. These figures include also the value of raw materials and semi-manufactured goods, so that the actual increase in the value of output is smaller than indicated. In enterprises employing more than 50 hands, the average increase in value per person employed totals 3040 lats.

There is practically no mining industry in Latvia. The peat-cutting establishments are included in this category, but they employ only a small number of hands, representing only 0·3% of the aggregate number.

Ceramic Industry, Stone Goods and Adhesives.

This branch embraces the working up of stones, the manufacture of adhesives and the production of china and glass. During the period of brisk building operations in this country there was a great demand for bricks and cement. Consequently, the factories producing these materials figure prominently in this branch.

Compared with the preceding year, the number of hands employed in this branch decreased by 940 to 2420 last year. This was particularly noticeable in the glass factories, which provided work for only 459 persons in 1926, as against

1382 workers in 1925. The export of glassware did not come up to expectations, and in the internal market the supply of ordinary glassware far exceeded the demand. Not being technically adapted to the production of high grade glassware, the factories cannot cope with the local demand for such goods. Therefore, in 1926, a number of factories suspended or restricted their activities, while fairly large quantities of china and porcelain were imported. The import of such goods has decreased lately, however, from 2,170,000 lats in 1925 to 1,700,000 lats in 1926; thereof, glassware for 1,245,000 lats.

The cement factories are also unable to cope with the entire local demand. Therefore, 21,848 tons of cement were imported for 1,083,000 lats in 1925; 33,191 tons for 1,636,000 lats in 1926, and 40,000 tons for 1,838,000 lats in 1927. Formerly, lime was the principal material employed in building in this country, but at present cement is growing more and more popular.

Of the products of this industry only gypsum is exported to any marked extent (to Sweden and Finland) and, since last year, bricks to Finland. It would be possible to export bricks to England and America, if the local factories were reorganized. Foreign capital is invested in only two enterprises of this branch, one producing plate glass, the other — cement.

Metal Industry.

This is one of the largest branches of local industry. Its present condition differs noticeably from its pre-war position. Whereas then, the largest number of hands was employed in waggon building, three-fifths of the total number of hands are now engaged in railway and other workshops. The demand for new plant is not so large as for the repairing of old machines and rolling stock. For this reason, 3156 persons are employed in railway repairshops and only 391 in waggon factories. Nearly all the railway workshops are owned by the State. In fact, the State owns twelve enterprises of this industrial branch, employing 4521 persons. Particular attention is paid to electrotechnical undertakings producing telegraph, telephone and radio apparatus, batteries, electrical implements, galvanoplastic articles etc. The number of persons employed in this department increased by 100 to 792 last year. In the automobile and bicycle workshops the number of employed persons increased by 56 last year and totalled 340.

Our metal industry cannot cope with the entire local demand. Consequently, year by year, large quantities of metal goods have to be imported. The import of agricultural and industrial machines was extensive in the first post-war years. The import of metal goods decreased last year, however. It involved 24·2 million lats, as against 29·8 millions in 1926. This decrease is due to the diminished import of agricultural and industrial machines. The import of raw materials and half manufactured goods of this branch also decreased last year. It involved 10·3 million lats in 1926, but only 8·4 millions in 1927, whereby the import of iron alone decreased by 1·3 million lats. The commercial treaty concluded with the Soviet Union foresees the placing of big orders in Latvia for waggons and other metal goods, the export of which may therefore be expected to increase in the

next few years. This will naturally lead to an increased import of metal and half manufactured goods thereof.

Large sums of foreign capital had been invested in our metal industry before the war. The influence of foreign capital is also perceptible in this branch of local industry at present. Although there is no marked tendency to augment the investment of foreign capital in this branch, new investments are made unhesitatingly for facilitating the operations of capital formerly invested.

Chemical Industry.

The enterprises of this branch were the largest in Latvia before the war. During the war they were evacuated to Russia and totally destroyed. The present chemical industry is of recent origin, established with new resources and on a new basis. As before the war, the rubber factories are the largest. The latter were founded with foreign capital during the past 2—3 years. The only linoleum factory in Latvia participates in the European Linoleum Union, which was founded recently. Latvian rubber goods and linoleum are exported to the neighbouring states and to foreign countries, and the export value is constantly increasing.

Next in order are the match factories, working both for home consumption and for export. The output increased last year from 178 to 195 million boxes of matches, but the export has been decreasing in recent years: matches were exported for 1,176,000 lats in 1925, for 1,228,000 lats in 1926 and for 941,000 lats in 1927. This decrease arose from the competition of the Swedish Match Syndicate. At present, the largest match factories in Latvia are combined in the hands of a joint-stock company. Large sums of local capital are invested in this branch of industry.

Oil mills figure prominently among the enterprises of the chemical industry. There are many such enterprises, some being of considerable importance. For example, there is a factory working up naphtha (principally Russian) producing lubricating oil and exporting oils of finer grade to all parts of the world, while the heavier oil is sold in the local market. The export of lubricating oil declined slightly last year in consequence of American competition.

The number of hands employed in dye works is constantly increasing. Latvian dyeing materials have gained access to the neighbouring States, where a growing market has been found. White lead and ultramarine are the principal export articles. German capital invested before the war plays an important part in this branch.

The export of bone dust and bone glue has been increasing in recent years, though these items are of small significance. Preserved food factories and vegetable oil mills are also included in the chemical industry. Two of these factories, which existed already before the war, are of considerable importance at present. Oilcake is in great demand for agricultural purposes. Large quantities of oilcake had to be imported formerly; but the local factories have been so successful in developing production that, not only is the entire local demand covered, but a quantity of oilcake is also exported to Germany and Denmark. A superphosphate factory resumed work last year. The import of this article is therefore decreasing.

Superphosphate was imported for 4·1 million lats in 1925, but for only 3 million lats (42,000 tons) in 1927, in which year the local factory produced 19,220 tons, a portion of which was exported to Poland, Lithuania and Estonia.

In general, the chemical industry is progressing year by year, not only in regard to the number of hands employed, but also in respect of output. The export of chemical products rendered 9 million lats in 1925, 16 million lats in 1926 and 21·1 millions in 1927. This rapid development of our chemical industry and the concomitant growth of the export of its output may be ascribed to the pre-war condition of this industry. The old relations with foreign countries are being renewed. The products of this branch are exported to various countries, but to a very small extent to Russia, which was the principal buyer before the war. There are prospects of further development in this important branch of local industry.

Leather Industry.

This industrial branch produces goods principally for local requirements. The largest enterprises are leather belting factories. Ordinary kinds of leather are manufactured for local needs. The finer grades are imported for fairly large sums. The import of hides and skins is decreasing, but their export is growing.

The number of hands engaged in leather factories increased last year. Some factories in Liepāja have received orders from the Soviet Union, and if the Soviet Government fulfils the terms of the commercial treaty strictly, Latvian leather factories will be well provided with work. Our leather factories work up mostly local raw materials, the import of foreign materials being unnecessary at present. There are fair prospects of successful operations in the leather industry in the future.

Textile Industry.

In regard to the number of hands employed, the textile factories rank fourth among Latvian industries, though they have so far not been able to cope with the local demand. Although the number of hands employed in this branch is increasing year by year, we are still obliged to import large quantities of cotton and wollen goods. The largest number of hands is employed in wool and cotton mills.

New machines have been installed in the cotton and wool weaving mills in recent years, thus enabling them to produce tissue of good quality. These mills are gradually ousting foreign competitors from the local market. The rather high duty on manufactured textile goods impedes the import, the value of which decreased from 54·5 million lats in 1925 to 50·6 millions in 1926 and 42·5 million lats in 1927. Cotton and woollen tissue and woollen yarn are the principal import items. Yarn is the principal export article. The export of yarn has developed considerably in recent years. The total value of textiles exported in 1925 was 3·7 million lats, in 1926 — 4·3 millions and in 1927 — 5·8 million lats. Our textile industry is progressing in two directions: the export of its output is increasing year by year and, at the same time, it is gradually approaching the level of the

local demand, thus diminishing the import of such goods. If larger resources and more credit could be had, the textile industry would make more rapid progress. British and German capital have been invested in our textile industry since pre-war times, but the resources suffice only for founded capital, and there is a lack of operative capital.

Clothing workshops and the factories manufacturing knitted goods are producing goods for local use, and, to a small extent, also for export. The export of these goods will doubtless increase in consequence of the commercial treaty with the Soviet Union, on the strength of which the latter country undertakes to buy knitted goods of Latvian origin for 1 million lats yearly.

Woodworking Industry.

The woodworking industry ranks foremost in respect of hands employed. The pre-war level has almost been recovered, in consequence of the energetic exploitation of forests. The trimming of forests is not included in this branch of industry embracing enterprises which work up timber materials. Sawmills are the most important enterprises of this branch. They employ more than a half of the total number of hands engaged in this industry. The sawmills execute the most ordinary work, producing half manufactured goods which may be further worked up for ultimate consumption. The sawn goods are therefore sent to the factories for elaboration or are immediately exported.

After the difficulties experienced in recent years, conditions in the timber trade improved in 1927, during which year the index number of prices of wood materials increased from 129·7 to 134·7, whereby the export grew rapidly. The total value of timber materials exported in recent years was as follows: 46·7 million lats in 1925, 41·2 millions in 1926 and 80·1 millions in 1927. Thus, the export value of timber materials was actually doubled last year.

Veneer and boxboard factories are developing successful activity. The export of their products is increasing from year to year, with a normal upward tendency and without such fluctuations as occur in the export of sawn goods.

Foreign capital is less influential in the woodworking industry than in other branches of local industry. Most of the enterprises are operating with local capital. Some of them received credit from foreign importers, but these sums are really advances on goods produced for export. Some enterprises received such advances several years ago and are paying the same off gradually by regular shipments of timber materials. English and German capital constitute the bulk of the foreign resources invested in the local woodworking industry.

Paper and Allied Industries.

The largest enterprises in this branch were established before the war, and resumed activities in recent years. The number of these enterprises is not large, but the average number of hands employed per enterprise is larger than in other branches. Paper mills and wood-pulp factories are the most important. Card-

board is the principal item of output. Some years ago our factories produced large quantities of goods for export, but in recent years the export of paper and articles thereof has decreased. For example, such goods were exported for 6·7 million lats in 1925, for 6 millions in 1926 and for 5·5 millions in 1927. The export to the Soviet Union and to Germany has been decreasing, but to England it has increased from 0·7 million lats in 1926 to 2 millions in 1927. Mostly newsprint was exported to Russia, and wrapping paper to England and Germany. Large sums of foreign capital have been invested in our paper industry since pre-war times.

The enterprises of the polygraphic industry operate only for the internal market. Typographic and lithographic establishments employ 84% of the total number of hands. Small and primitive enterprises have had to yield place to large, modern printing offices in recent years. The influence of foreign capital is not perceptible in this department.

Foodstuffs and Delicacies.

This branch of industry ranks foremost in respect of the number of enterprises, and is surpassed by the woodworking industry only in regard to the number of hands employed. Flour mills are the most important enterprises. They are very numerous in the country, there being practically not a single community without mills. The significance of these country mills is small, as they only produce flour for farmers' requirements. The number of corn mills of commercial importance is not large, only five or six, situated in Riga and Liepāja. These are of real importance, and they have co-ordinated their operations.

Sweetmeat factories, bakeries and confectioners rank second together with macaroni factories. They produce foodstuffs etc., for the local market and are developing gradually, in pace with the consumption.

The enterprises producing tinned fish and meat also employ a large number of hands, and export a large portion of their output. The export of tinned goods is developing satisfactorily.

The Law of the year 1924 combating intemperance had a depressing effect on the wine and spirit industry. The number of hands employed decreased perceptibly in the distilleries, breweries and liqueur factories. The output also decreased, with the exception of spirit which presented an increase. The law was modified in 1927, and this will doubtless have a revifying effect on the beverage industry. The production of mineral and fruit water has increased considerably in recent years, presenting a value of 1·9 million lats in 1923, 4·8 millions in 1926 and 5 millions in 1927.

The number of hands employed in tobacco factories is increasing year by year. They worked up 538 tons of tobacco in 1926, and 603 tons in 1927 (thereof, 52 tons of tobacco grown in Latvia). The output of cigarettes has not changed to any marked extent in recent years (1100 million cigarettes were manufactured in 1927), but the output of cigars increased slightly last year.

The enterprises producing foodstuffs and delicacies operate chiefly with local capital. Foreign capital figures prominently only in the tobacco industry. This has proved to be a remunerative branch of industry, and the average dividends paid by the foodstuffs manufacturing companies in recent years have been higher than in other branches. This industry is also better off than the other branches in respect of resources and credits. Foodstuffs are always in demand and are paid for immediately. As credits are expensive, the privilege enjoyed by the foodstuffs industry is of great significance.

A sugar factory began to operate in Latvia in 1925—26. It was established with a view to diminishing the import of sugar and enabling our farmers to cultivate sugar beet, which is remunerative. The factory was founded with insufficient local resources and was therefore unable to develop its operations. It has been leased by the State for a period of three years and converted into a State enterprise. So far, the sugar factory has not influenced the import of sugar, which amounted to 36,722 tons last year, while the local output was only 1945 tons (thereof, 500 tons from imported raw sugar). But if the government continues to pay such high prices for sugar as it does at present, and if the roads leading to the factory are put in proper condition, the farmers will be encouraged to cultivate more beetroot, and the output of local sugar will doubtless increase.

Other Industrial Enterprises.

Building enterprises employ the largest number of hands and are increasing their operations constantly, owing to the development of building in towns. Besides contractors who undertake the building of houses, there are enterprises which build bridges, railways and highroads. During the inceptive period of State construction, the State often executed such work itself. At present, however, the work is entrusted to private contractors on the strength of tenders invited.

Although the number of hands engaged in the industries is growing from year to year, they do not figure so prominently as agriculture in the economic life of the country. Industrial enterprises have to overcome great difficulties before they can operate with any measure of success. The principal difficulty is presented by the lack of raw materials and fuel in the country, although the necessary raw materials are available on the spot for certain branches (as timber, hides etc.). But the bulk of raw material has to be imported. Coal, coke and other fuel must be imported. Water power is rarely utilized. So far, the large electric power stations continue to be mere projects. Our industry is also handicapped by the lack of capital. Foreign capital plays an important part in the financing of our industries, but these investments date from pre-war times. Fresh capital is rarely invested, and then only for augmenting earlier investments. Foreign capital is rarely available for establishing new industrial enterprises. In general, the available resources are insufficient for successful development. The result is that our industries do not all attain a high level of technical efficiency. Moreover, the cost of production is influenced by social measures.

Labour Market.

Latvia is one of the most progressive countries in regard to social legislation. It has been a member of the international labour organization since 1921, the year in which Latvia was admitted into the League of Nations.

Last year, the legislative institution of Latvia passed an important law regarding accident insurance. All kinds of salaried labour comes within the scope of this law, with the sole exception of services engaged but once, if the employer does not thereby engage workers already subject to this law. Regulations were also issued last year regarding "Collective Labour Contracts"; but they did not alter to any marked extent the relations already existing between contractors and workmen.

The number of paid working hands increased last year. The number of working people registered in the sickness funds totalled 139,830 at the end of 1926, and 153,219 at the end of 1927, showing an increase of 13,389 persons. This increase may be ascribed partly to the fact that some contractors had until then not yet insured the persons in their employ, and partly to increased employment. Of the persons insured, 92,057 are workmen and 61,162 women, thus the former represent two-thirds of the total number. The number of family-dependants of persons insured in the sickness funds increased from 93,575 to 97,358 or by 3783 persons. Thus, the increase or persons belonging to families of the employed is smaller than that of the members of sickness funds. The new members are mostly without families, and some of those who were formerly registered as belonging to the families of fund-members, are now themselves engaged in various enterprises and have become members of sickness funds.

Although the number of paid workers increased last year, the registered number of unemployed did not decrease. The number of working people registered at the Labour Exchange does not present an accurate picture of the state of unemployment in this country, but it serves to show the general tendency. According to the particulars obtainable at the labour offices, unemployment in Latvia is a periodical feature. In summer, when farming is brisk, unemployment declines to the minimum; but increases in October and attains the maximum in December and January. This was noticeable also in the past year. At the end of 1926, the number of unemployed totalled 5234, but at the end of 1927, — 6399. On the other hand, during the period June—August, it fell to 882. The Government endeavours to combat unemployment by arranging public work of different kinds, in which way 3581 unemployed were provided with work at the end of 1927.

The average level of wages per 8-hour working-day increased slightly last year: qualified workers in Riga earned in December 1926 Ls 4·93, and in December 1927 — Ls 4·96. During the same period labourers earned Ls 3·23 and Ls 3·36 respectively, and unqualified workmen Ls 1·95 and Ls 2·00 respectively.

The cost of living decreased last year. Taking July 1914 as the basis (100), we find that the average cost of living in 1925 was 109, in 1926 — 107 and in 1927 — 102·5. In absolute numbers, the situation was as follows: The theoretical minimal ration (food, dwelling, heating and lighting) for a family of five persons

costed Ls 130 in 1925, Ls 128·5 in 1926 and Ls 123 in 1927. The index figure of foodstuffs in 1927, as compared with 1925, decreased from 139 to 135, though this presents a slight increase compared with 134 in 1926. Other items of expenditure present a more substantial decrease.

There have been no sharp conflicts between contractors and workmen in Latvia in recent years. 95 strikes were registered in Latvia in 1927. These were due to economic causes, but were all quite insignificant. Compared with 1926, the number of strikes increased, but the number of working-days lost on their account fell by 4000 to 60,000.

Joint-Stock Companies.

The number and the aggregate capital of joint-stock companies operating in Latvia show a steady increase thus:

In	1914,	there	were	89	j. st.	comp.	with	a	capital	of	419·7	million	lats
„	1924,	„	„	170	„	„	„	„	„	„	70·3	„	„
„	1925,	„	„	268	„	„	„	„	„	„	112·1	„	„
„	1926,	„	„	316	„	„	„	„	„	„	140·7	„	„
„	1927,	„	„	331	„	„	„	„	„	„	158·1	„	„

Although the increase both in number and capital was not so rapid last year as during the period 1924—1926, nevertheless 15 new companies were founded and the aggregate paid up capital of all our joint-stock companies increased by 17·4 million lats. In recent years, foreign capital has figured prominently in providing founded and operative capital, whereby principal attention has been paid firstly to banks and secondly to industrial undertakings. The interest of foreign capital in local industry dates from pre-war times, when such capital was invested in practically all the big joint-stock companies. The relations then established were not severed. However, in the meantime, local industrial conditions have undergone a radical change and, to-day, the large pre-war enterprises are doing little or nothing, or have chosen other branches of activity better adapted to present conditions. Consequently, the limited operations of the old joint-stock companies are in no proportion whatever to their capital. The new companies, whose capital is totally paid up, are operating more successfully.

The joint-stock banks are operating with comparatively large capital, representing 16·2% of the aggregate capital of Latvian joint-stock companies. Next in order are transport companies and the chemical industry. Comparatively small sums are invested in gas, electric and water supply establishments, which are owned chiefly by communities. Building investments are also small.

The founded capital in all branches has either remained unchanged or has increased, except in the case of companies engaged in the ceramic, stone and glue industries, whose capital has decreased to a half. To this group belong also the glass factories, which sustained heavy losses in 1925 and 1926 and

were, in part, declared insolvent. The capital of companies engaged in the real estate business has increased perceptibly, some of the pre-war undertakings having resumed activities. The latter, however, confine their activities to the exploiting of their own real property. According to the modifications and supplements (published in 1925) to the Law of April 20, 1921 on joint-stock companies, all the old Russian companies which do not resume activities have to wind up their affairs. Not desiring to sell their real property too cheaply, some of these companies resumed work in 1925 and 1926, but only letting their real property. The aggregate capital of this branch increased by 3 million lats in 1926.

The amount of foreign capital invested in Latvia is divided into two parts: 1) capital invested before the war and 2) capital invested since the proclamation of the Republic. In the joint-stock companies founded before the war and operating at present, foreign capital is invested to the extent of 57·9 million lats, representing 68% of the total amount of foreign capital. The remainder (27·5 million lats or 32% of the total) has been invested in local companies since the war. The percentage of foreign capital invested in our joint-stock companies was much larger before the war than at present. These companies sustained heavy losses during the war. Many of them retained only their real property, structures and such machines and plant as were not evacuated in due time. To resume operations they needed fresh capital for effecting necessary repairs, acquiring industrial plant etc. The pre-war companies which resumed operations obtained the necessary resources. Therefore, a part of the above-mentioned sum (57·9 million lats) is foreign capital invested since the war. This portion is not evenly distributed among the different branches. For example, in the banks nearly the entire present capital, 8 million lats, has been invested since the war, while no fresh capital at all has been invested in joint-stock companies exploiting only their own real property. Six of the pre-war companies resumed activities in 1926 with a capital of 9·4 million lats, 5·7 millions thereof belonging to foreigners. It may be added that foreign capital is not evenly distributed in the various branches of our economic structure. There are branches in which it exceeds two-thirds and even 85% of the total, while in others it does not participate at all.

Not only is foreign capital invested in our joint-stock companies, but foreign credit of different kinds is also granted. Foreign joint-stock companies, which establish branches in this country, accomodate the latter with long term credits. And, in general, the foreigners who participate in the founding of an enterprise, do not only provide a certain part of the capital, but also accomodate the undertaking with short term loans. Our joint-stock companies, the banks excepted, possess such credit to the extent of 52 million lats; thereof, 8 million lats have been granted for longer periods (often against gradual repayment in cash or in goods) and 44 millions on short term. In general, the participation of foreign capital in our joint-stock companies is extensive

Foreign Trade.

Commercial Treaties.

Up to the end of 1927, Latvia had concluded 22 treaties of commerce, all of which are based on the most favoured nation principle limited by the Baltic and Russian clause. The most favoured nation principle does not include such privileges as are conceded to Estonia, Finland, Lithuania and the Soviet Union.

Commercial treaties have been concluded with the following countries:

1.	Czechoslovakia,	signed	3. X. 1922	sanctioned	9.	VIII.	1923
2.	Great Britain	„	22. VI. 1923	„	5.	XI.	1923
3.	Estonia	„	1. XI. 1923	„	24.	II.	1924
4.	Hungary	„	19. XI. 1923	„	14.	IV.	1925
5.	Holland	„	2. VII. 1924	„	2.	X.	1925
6.	Austria	„	9. VIII. 1924	„	26.	VII.	1927
7.	Norway	„	14. VIII. 1924	„	10.	VI.	1925
8.	Finland	„	23. VIII. 1924	„	9.	VII.	1925
9.	France	„	30. X. 1924	„	26.	II.	1925
10.	Denmark	„	3. XII. 1924	„	10.	V.	1925
11.	Iceland	„	3. XII. 1924	„	30.	I.	1926
12.	Switzerland	„	4. XII. 1924	„	2.	V.	1925
13.	Sweden	„	2. XII. 1924	„	29.	VI.	1925
14.	Japan	„	4. VII. 1925	„		—	
15.	Belgium	„	7. VII. 1925	„	21.	VIII.	1926
16.	Italy	„	25. VII. 1925	„	9.	II.	1927
17.	U. S. A.	„	1. II. 1926	„	30.	IV.	1926
18.	Germany	„	28. VI. 1926	„	1.	XII.	1926
19.	Estonia	„	5. II. 1927	„	10.	V.	1927
20.	Greece	„	25. II. 1927	„	16.	II.	1928
21.	Soviet Union	„	2. VI. 1927	„	5.	XI.	1927
22.	Poland	„	22. XII. 1927	„		—	

The customs union agreement concluded with Estonia on November 1, 1923 was replaced by the treaty of February 5, 1927 regarding the customs union.

Balance of Trade.

The passiveness of our balance of trade increased continually from 1922 to 1925, in which year the highest level was reached, whereupon a sudden change set in and the passiveness has been decreasing since then. The balance of trade improved perceptibly in 1927.

	Import	Export	Balance of trade
	(lats, in millions)		
1921	73·7	29·3	— 44·4
1922	106·4	101·2	— 5·2
1923	211·9	162·0	— 49·9
1924	255·9	169·6	— 86·3
1925	280·6	179·6	—101·0
1926	260·3	188·5	— 71·8
1927	249·7	220·2	— 29·5

The decreased passiveness is a result of decreasing imports and increasing exports. This favourable tendency in our foreign trade began in 1926. At present, local merchants have a clearer conception of the capacity of the internal market, and foreign firms can better judge the trustworthiness of Latvian buyers. The banks are reserved in crediting import operations and pay greater attention (Latvijas Banka especially) to the promotion of export. It is therefore to be expected that our import trade will continue to adapt itself to actual requirements, and in future there will be no such fluctuations as in 1922—1925.

Apart from the growing consumption, the passiveness of our trade returns may be ascribed to the fact that various articles had to be procured for reconstruction purposes, as for example, agricultural and industrial machines, building materials, fertilizers, livestock etc. Most of these were necessary for replacing depreciated plant, but it would not have been necessary to import such large quantities if the country had not been devastated by the war. In 8 years the passiveness of our trade returns attained 388 million lats, only a small portion of which was incurred for reconstruction purposes, the greater part being textiles, foodstuffs and delicacies.

A considerable increase of the total weight of imports and exports was registered in 1927. It totalled 2,073,300 tons in that year, as against 1,492,600 tons in 1926, showing an increase of 580,700 tons, which was due to the increased export of timber materials (382,100 tons in 1926, and 824,500 tons in 1927). The import weight also increased by 105,700 to 520,300 tons. The aggregate weight of each was nearly the same in 1927: imports 1,065,000 tons (974,700 tons in 1926), and exports 1,006,500 tons (517,900 tons in 1926).

Import.

As in previous years, manufactured goods ranked foremost in our imports, comprising nearly a half thereof, and followed by foodstuffs and delicacies.

	1925	1926	1927	1925	1926	1927
	(lats, in millions)			percentage		
Raw materials and half-manuf. goods	65·7	59·5	62·2	23·4	22·8	25·0
Manufactured goods	132·4	131·4	114·7	47·2	50·5	45·9
Foodstuffs and delicacies	77·7	64·6	70·0	27·7	24·8	28·0
Livestock	3·9	4·1	2·1	1·4	1·6	0·8
Precious metals and jewellery	0·9	0·7	0·7	0·3	0·3	0·3
Total	280·6	260·3	249·7	100·0	100·0	100·0

The proportion of the various groups of goods is inconstant. Manufactured goods are imported for large sums, amounting to 50·5% of the aggregate import value in 1926, and declining by 16·7 to 114·7 million lats or 45·9% of the total import in 1927. In general, the decrease of imports in 1927 was due to the

smaller import of manufactured goods, for the import of some other goods even increased, as for example the import of foodstuffs and raw materials. The former increased by 5·4 to 70 million lats, representing 28% of the total import. The import of raw materials increased by 2·8 to 62·3 million lats and represents at present one-fourth of the aggregate import value. The significance of the other two groups of goods in our import trade is rather small: the import of livestock totalled 2·1 million lats in 1927, while precious metal and jewellery involved a sum of only 700,000 lats. Textile goods are the principal import articles, though their value has been decreasing in recent years. The import of textiles involved 54·5 million lats in 1925, 50·6 millions in 1926, and 43·3 millions in 1927, comprising mostly cotton and woollen tissue.

	1925	1926	1927
	(lats, in millions)		
Cotton tissue	26·2	24·5	21·0
Wheat	17·7	14·8	16·1
Sugar	15·1	13·6	15·8
Rye	18·8	11·2	13·9
Industrial machines	13·2	14·6	11·3
Coal	10·3	8·2	11·4
Woollen tissue	9·3	9·0	7·5
Vehicles	4·8	5·1	5·1
Agricultural machines	5·9	6·3	4·8
Linseed	5·7	3·0	4·8
Herrings	5·6	5·3	4·7
Tobacco	4·0	4·5	4·4
Woollen yarn	3·1	3·9	4·3
Cotton	3·5	3·6	4·6

Immediately after tissue come foodstuffs, of which grain is the most important item. Although the import of wheat and, especially, rye has decreased compared with preceding years, corn was imported for 30 million lats in 1927. The import of sugar is also extensive, and so far the local production of this commodity has not exercised any marked influence on its importation. The import of industrial and agricultural machines has decreased in recent years, due partly to the economic difficulties which confront our farmers, but chiefly to the fact that the most urgent requirements have been covered by the imports of previous years. Industrial and agricultural machines do not figure prominently in our import list, accounting for only 6·5% of the aggregate import value.

Export.

Latvia exports chiefly raw materials, half manufactured goods and foodstuffs. Our export producing industries have been contributing more and more to our export trade in recent years:

	1925	1926	1927	1925	1926	1927
	(lats, in millions)			(percentage)		
Raw materials and half-manuf. goods	112·6	102·0	127·1	63	54	58
Manufactured goods	25·2	37·1	40·3	14	20	18
Foodstuffs & delicacies	40·6	49·0	52·5	23	26	24
Livestock	0·5	0·2	0·2	0	0	0
Precious metals & jewellery	0·7	0·2	0·1	0	0	0
Total	179·6	188·5	220·2	100·0	100·0	100·0

The export of raw materials and half manufactured goods increased by 25·1 to 127·1 million lats in 1927, timber materials ranking foremost. Raw materials and half manufactured goods represent more than 50% of the total export. The export of foodstuffs and delicacies increased by 3·5 to 52·5 million lats, representing one-fourth of the total export, butter being the principal item in this group. The export of manufactured goods is increasing slowly but steadily. It totalled 40·3 million lats in 1927, which was 3·2 millions more than in 1926. Manufactured goods represent 18% of the total export. The export of livestock, precious metal and jewellery is insignificant.

Timber materials contributed largely to the increase of our export trade in 1927. Timber prices were higher than in the preceding year, and the export increased by 38·9 to 80·1 million lats.

	1925	1926	1927
	(lats, in millions)		
Timber materials	46·7	41·2	80·1
Butter	30·3	37·5	41·3
Flax	40·4	38·0	26·6
Rubber goods	2·3	8·2	12·6
Linseed	11·4	6·7	6·4
Bacon	2·3	5·8	5·9
Paper	5·6	5·4	5·0
Linoleum	3·1	3·1	4·1
Furs	3·8	3·3	2·9
Clover seed	1·5	3·8	2·1

Butter was the second largest export item in 1927. Its export value increased to 41·3 million lats, representing 18·7% of the total export. The export of flax is decreasing from year to year and, as regards 1927, it may be observed that no portion of that year's yield was sold until the beginning of the current year. Adding linseed, bacon and other agricultural produce to the above mentioned articles, we have nearly four-fifths of the total export. Among manufactured goods, the export of rubber goods is developing satisfactorily. It increased fivefold in two years and totalled 12·6 million lats in 1927.

Commercial Relations with Various Countries.

The largest turnover in our foreign trade is registered in relations with Germany (159·8 million lats), followed by England with 101·3 millions and Belgium 28·4 millions. These three account altogether for 62% of our total foreign trade. We import goods for 101·5 million lats from Germany, but for only 26·5 millions from England, while our exports to England render 74·8 million lats, and to Germany 58·3 millions. Thus, in our import, Germany ranks foremost, while England tops the export list.

Most of the countries engaged in commercial relations with Latvia, export more to Latvia than they import from this country. Our balance of trade in 1927 was passive to the extent of 43·2 million lats with Germany, 14·5 millions with the Soviet Union, 12·5 millions with Denmark, 7·5 millions with Czecho-Slovakia, 6·2 millions with Poland, 5·1 millions with Dantzig, 3·7 millions with Estonia, 3·1 millions with Switzerland, 1·5 million lats with Lithuania and 1·3 million lats with the United States of America. Our trade returns were active in relations with such industrial countries as need our raw materials and half manufactured goods: with England the balance of trade was active to the extent of 48·3 million lats, with Belgium 19·2 millions and with Holland 5·6 millions.

Germany. Before the war, a large part of the Russian export to Germany passed through the Latvian ports of Riga, Libau and Windau. Commercial relations with Germany have also been brisk since the proclamation of the Latvian Republic. The import from Germany in the past six years represents 40 to 45% of our total import. The export to Germany is much less than the import, varying between 12 and 58 million lats per annum and representing 7·6 to 26·5% of the aggregate export. In 1927, the value of imports from Germany decreased by 2·5 to 101·5 million lats. This decrease does not denote that the imports from any other country have increased, but is characteristic of the general restriction of Latvian imports. In the past year, the import of manufactured goods from Germany decreased from 61·9 to 54 million lats, while the import of foodstuffs and delicacies increased by 5·9 million lats to 21·4 millions, and the import of raw materials and half manufactured goods remained almost unchanged, having decreased by only 0·6 million lats to 25·6 millions. We export chiefly butter to Germany, besides timber materials, flax and flax yarn, which comprised 82% of our total export to Germany in 1927.

England is the principal buyer of our export produce, and our balance of rade with that country has always been active. There is no definite tendency in our trade with England; but, in general, the turnover is decreasing in proportion to our aggregate foreign trade. In 1922—24, the import from England represented 16·2 — 18·6% of our total import, but in 1925—27 it did not exceed 10—13·8% thereof. Analogically the export to England amounted to 40—46·3% in the former period, but only 34% of the total export in the latter period. This decrease may be ascribed to the general development of our foreign trade. In 1927 we imported from England: manufactured goods for 12 million lats, foodstuffs for 8·5 millions, and raw materials and half manufactured goods for 5·9 million lats. Compared

with 1926, the import of foodstuffs and raw materials increased last year, while that of manufactured goods decreased. We exported raw materials and half manufactured goods to England for 58·8 million lats, foodstuffs for 11·3 and manufactured goods for 4·7 million lats. While the export of raw materials and manufactured goods increased perceptibly in 1927, that of foodstuffs receded. The principal export article was timber (for 48·6 million lats) representing 60·7% of the total export of timber materials. Compared with the year 1926, the export of timber materials to England increased by 19·5 million lats. Next in order in our export list was flax, the export of which decreased however by 5·9 million lats and totalled only 8·8 millions in 1927. England is the only importer of bacon from Latvia (for 5·9 million lats in 1927). The export of butter to England has been decreasing continually in recent years and totalled only 5 million lats (12·1% of the total butter export) in the past year.

Belgium fills the third place in our foreign trade. The export to Belgium has always exceeded the import from that country. The turnover of our trade with Belgium is decreasing year by year. In 1927 it decreased by 3·1 to 23·8 million lats, and in the course of six years its relation to our aggregate foreign trade receded from 21 to 10·8%. Flax is predominant in our exports to Belgium, amounting to 14 million lats in 1927 and representing 52·5% of our total flax export. Timber materials rank second, while manufactured goods are of little significance.

The Baltic States account for 10·8% of our foreign trade (Finland 0·9%, Estonia 2·3%, Lithuania 2·8% and Poland 4·8%). The total turnover of trade with these countries was 50·8 million lats last year, or 2·2 millions more than in 1926. Commercial relations with Estonia and Lithuania were less brisk, but increased with Finland and Poland. Latvian exports to the Baltic States rendered 20·2 million lats, and the imports from these States involved 30·6 millions, so that the balance of trade was passive to the extent of 10·4 millions (6·2 millions with Poland, 3·7 with Estonia, 1·5 with Lithuania, but active to the extent of 0·9 million lats with Finland).

The import from Poland continued increasing until 1926, but declined in 1927 to 14·5 million lats, or by about 2 million lats compared with the preceding year. On the other hand, our export during the period 1922—1926 decreased from 6·8 to 3·4 million lats, but increased suddenly in 1927 from 4·9 to 8·3 million lats. Coal is the principal import item from Poland, and Polish coal is predominant in this market. Textiles rank second in importance. We export to Poland chiefly rubber goods (38·7% of the total export) the total value of which increased threefold in the past year. The export to Poland also comprises linoleum, linseed, wood pulp and dyes.

The balance of trade with Lithuania has always been passive. But this passiveness has been gradually decreasing since 1924, in consequence of the steady decrease of imports and increase of exports. In 1927, the import from Lithuania receded by 1·6 million lats, while the export increased by 0·8 million lats. Linseed, foodstuffs and provender are the principal import goods, while rubber goods, cotton yarn and machines are exported to Lithuania.

The balance of trade with Estonia was also passive in the past six years. Commercial relations with Estonia show no marked progress. The import amounts to about 7 million lats, and the export to 3·5 or 4 millions per annum. In 1927, the import increased by 0·3, and the export decreased by 0·5 million lats. Cotton tissue and other textile goods, livestock and wood pulp are the principal import goods. Rubber goods, woollen yarn and machines are predominant among the exports to Estonia.

The turnover of trade with Finland is smaller than with the other Baltic States. The import from that country has been decreasing of late, and the export growing. We import chiefly cotton tissue and export rubber goods, linoleum, bone dust and bricks.

Soviet Union. Latvian trade with the Soviet Union in 1927 increased by only 0·2 million lats, presenting a total of 22·1 millions or 4·7% of the aggregate trade turnover. While our import increased from 6·6 to 18·3 millions, the export decreased threefold, and the passiveness of the trade balance rose from 1·5 to 14·5 million lats. The import from the Soviet Union comprises chiefly foodstuffs, as rye, wheat, oats and sugar, naphtha, kerosene and other naphtha products. We export clover seed, paper, cardboard and linseed. The export returns are greatly diminished by the decrease of the mail order business with the Soviet Union.

The Netherlands. Our trade turnover with this country increased in 1927 by 7·5 million lats, totalling 20·6 millions. Compared with 1926, the import decreased by 1·1 to 7·5 millions, while the export increased by 8·6 to 13·1 million lats, consequent on the substantial increase of timber exports to the Netherlands.

Denmark. The turnover of our trade with this country increased by 1·7 million lats and totalled 20·7 millions in 1927. The balance of trade was passive by 11·9 million lats in 1926 and by 12·5 millions in 1927. The import from Denmark, Dantzig and Germany consists largely of goods not produced in the said countries.

Sweden. The turnover of trade with Sweden increased by 2 million lats and totalled 13·5 millions in 1927. The balance of trade was passive to the extent of 7·5 million lats, as against 8·3 millions in the preceding year. We export chiefly rubber goods, linoleum and potatoes to Sweden.

United States of America. The turnover of trade decreased by 3·4 million lats and totalled 12·3 millions in the past year. The decrease is due to the diminished corn import from America, replaced by Russian grain. We import agricultural and industrial machines, wheat, kerosene, petrol and vehicles, but export hides and skins, furs, matches, tinned fish and vetches to the United States of America.

France. The turnover of trade with France increased last year to 10·6 million lats, while the passiveness of the commercial balance decreased to 0·8, as against 1·9 million lats in the preceding year. We import textiles and export chiefly timber materials and linseed to France.

Czecho-Slovakia. The turnover of trade with this country decreased by 4·1 million lats and totalled 7·3 millions in the past year, 6·8 millions thereof being import (textiles, sugar, metal goods), while the export (linoleum) was insignificant.

Dantzig. The import from Dantzig (coal, sugar etc.,) decreased by 1·5 million lats and totalled 5·5 million lats in 1927, and the export increased by 0·2 to 0·4 million lats only.

No particular importance attaches to the trade with other countries.

Transit Traffic.

Transit traffic via Latvia has been increasing perceptibly in recent years, chiefly owing to the passage of merchandise from the Soviet Union and Poland.

	Total transit	From Soviet Union		From Poland	
	tons	tons	%%	tons	%%
1925.	472,303	208,843	44·2	87,701	18·6
1926.	626,127	231,359	36·8	175,059	27·9
1927.	839,868	339,808	40·5	192,719	22·9

Germany, Estonia, Lithuania and England also send large quantities of goods in transit through Latvia. The most important transit items are: timber materials (Russian and Polish), machines and other metal goods (to the Soviet Union), coal (Polish), foodstuffs (Russian), flax (Russian) and linseed.

Transit goods are often worked up in Latvia. For example 118,300 tons of such goods were elaborated in Latvia in 1927, chiefly timber materials which were sawn in this country. Furthermore, the repacking of foreign oats and the treatment of hides and skins also take place in Latvia.

Balance of Payment.

As the balance of trade figures prominently in our balance of payment, the former exercises a marked influence on the activity or passiveness of the latter. During the inceptive period of State construction, other items played an important part in the composition of the balance of payment, but their significance has diminished in the meantime. The principal subsidiary items at present are: foreign capital investments, travellers' expenditure, emigrants' remittances to the Mother Country, the expenses of foreign diplomatic and consular representatives, and the income of railways from transit and direct passenger traffic; and, on the other hand, the expenses of Latvians abroad, the building of ships abroad, interests and commissions paid to foreign countries for their credits etc.

Owing to the extraordinary passiveness of the trade balance, our balance of payment was passive from 1924 to 1926, but improved perceptibly in 1927, in which year the Latvian balance of payment was active to the extent of 15—20 million lats, according to provisional data.

Transport.

Several new laws relating to transport and traffic were published last year, including the new railway law. The old Russian laws, which were in force hitherto, were supplemented with various regulations. The new railway law does not involve any radical changes, but it is better adapted to Latvian conditions. Another innovation is the law concerning shipping (Law regarding the administrative personnel of merchant vessels). This law classifies the officers of merchant ships, defines their rights and duties and embraces various regulations governing the administration of ships. Although these two laws do not create a new situation in railway and shipping traffic, they are elucidative and precise.

Regular passenger and freight traffic was commenced on the newly constructed Glūda-Liepāja line last autumn. For the time being this service is maintained over a distance of 76·1 kilometres between Glūda and Brocēni. With the help of the sums assigned in the budget of next year, it will be possible to complete the new line and open traffic in 1929. The importance of this line does not lie in its terminuses, which are joined by another line, but in the fact that the new line traverses a fertile region. A large section of Kurzeme (Courland) has been without railway communication up to the present, the nearest railway station being 45 kilometres distant from the rich district of Saldus (Frauenburg). The economic development of this district will doubtless be very rapid after the opening of traffic on this line, which is of Russian gauge (1524 mm). The following lines were constructed or reconstructed last year: 1) from Sece to Sēlpils 22·3 km, 1524 mm gauge, being a section of the old Windau-Moscow line; 2) from Sita to Rugāji 21·4 km, 750 mm gauge; 3) from Engure to Mērsrags 12·5 km, 600 mm gauge. The total length of Latvian railways in operation increased by 132·4 kilometres last year and attained 2732·1 km, by the end of the year. Besides the latter, there are 168·2 kilometres of railway line without traffic, which were constructed during the war and are not adapted to the economic requirements of this country.

The Latvian merchant fleet increased perceptibly last year. Navigation was brisk, and our own merchant service could not cope with more than one-third of the entire traffic. As this branch of enterprise is more profitable than many others, it is natural that local steamship companies and private owners do not hesitate to buy new vessels abroad, principally vessels already in service, registering them in Latvian ports. The low level of wages on Latvian ships facilitates their competition with foreign vessels. The tonnage of the Latvian mercantile fleet has been increasing year by year, as the following table shows (as on January 1):

	Steamers		Sailing vessels		Sailing-Motor vessels		Total	
	Number	Gross tons	Number	Gross tons	Number	Gross tons	Number	Gross tons
1914	59	77,626	270	48,796	4	296	333	126,718
1924	31	38,310	56	9,129	9	993	96	48,432
1925	36	42,907	52	7,874	12	1,486	100	52,267
1926	54	57,867	54	7,984	9	791	117	66,642
1927	65	77,633	47	5,997	10	2,557	122	86,187
1928	75	98,774	34	3,734	10	2,573	119	105,081

The tonnage increased last year by 21,000 tons and aggregated 98,774 tons, thus surpassing the pre-war level. The tonnage of sailing vessels has been decreasing since 1924. It receded to 3734 tons last year, as against 48,796 tons in 1914 and 10,147 tons in 1923. Year by year, the significance of sailing vessels is diminishing and they are being replaced by steamers.

Shipping in Latvian ports increased considerably in 1927. The aggregate tonnage of arrivals in the past four years was as follows:

	Riga	Liepāja	Ventspils	Ainaži	Total
	net tons, in thousands				
1924	854	367	262	12	1,495
1925	913	327	184	20	1,441
1926	889	298	205	19	1,412
1927	1,150	337	241	33	1,761

There was a declining tendency in shipping traffic during the period 1924 to 1926, and in the latter year it receded to 1,495,000 tons. In 1927, however, it rose rapidly to the record volume of 1,761,000 tons, showing an increase of 350,000 tons or 25%. Never since the war has the traffic in our ports been so brisk as in the past year. The export of timber materials, for example, increased from 382,000 to 825,000 tons. Transit traffic also increased perceptibly.

The tonnage of arrivals totalled 3·6 million tons before the war. At present, it is only 49% thereof and is nearly as large as in 1903 (1·8 million tons). Of the total arrivals, 65% came to te port of Riga, 19% to Liepāja, about 14% to Ventspils and only 2% to Ainaži. These proportions vary according to ice conditions in winter. If navigation in the port of Riga is obstructed by ice, ships prefer to go to Liepāja and Ventspils, though traffic is maintained in Riga with the help of a powerful ice-breaker. Shipping traffic is at its height in the months of August-October, and sometimes even up to December. Traffic is also very brisk in the earlier summer months, especially in June. The Latvian flag is foremost among the vessels which enter Latvian ports, though our own commercial fleet handles barely one-third of the entire freight. The next in order are German, British, Danish and Swedish vessels.

The Latvian merchant service is growing in importance year by year. In 1926 it transported 27·3% and in 1927 — 28·5% of the total freight. The arrivals of Latvian merchant vessels in Latvian ports totalled 386,000 tons in 1926 and 503,000 tons in 1927.

BRANCHES OF THE LATVIJAS BANKA IN LATVIA.

EXECUTING ALL BANKING OPERATIONS:

Cēsis (Wenden)	Manager	*M. Bērziņš.*
Daugavpils (Dvinsk) . . .	„	*V. Oglevics.*
Jelgava (Mitau)	„	*J. Lecis.*
Liepāja (Libau)	„	*A. Dumpe.*
Rēzekne (Rezhitsa) . . .	„	*J. Milleris.*
Valmiera (Wolmar) . . .	„	*P. Kuplis.*
Ventspils (Windau) . . .	„	*A. Neretnieks.*

EXECUTING ALL INLAND BANKING OPERATIONS:

Bauska	Manager	*K. Broks.*
Kuldīga (Goldingen) . . .	„	*K. Pinkovskis.*
Tukums	„	*Kr. Vītols.*

OPERATIONS OF WHICH ARE LIMITED:

Aizpute (Hasenpoth) . . .	Manager	*A. Alļe.*
Alūksne (Marienburg) . .	„	*J. Ādlers.*
Balvi	„	*H. Priedītis.*
Jaunjelgava (Friedrichstadt)	„	*Ž. Fogelmanis.*
Jēkabpils (Jakobstadt) . .	„	*F. Skujskubris.*
Limbaži (Lemsal)	„	*K. Cīrulis.*
Ludza (Lutzin)	„	*P. Jumars.*
Madona	„	*P. Apsītis.*
Rūjiena	„	*V. Leimanis.*
Saldus (Frauenburg) . . .	„	*F. Gailis.*
Smiltene	„	*E. Apse.*
Talsi	„	*F. Grīnvalds.*
Valka	„	*J. Ķimins.*

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BANK OF ENGLAND
REFERENCE

LATVIJAS BANKA

BANK OF LATVIA

1928

MAP OF LATVIA.

INDICATION:

- RAILWAYS 1524 m/m. (RUSSIAN) GAUGE
- 1435 m/m. (NORMAL) GAUGE
- 1000-600 m/m (OF SMALL GAUGE)
- FRONTIERS OF THE STATE
- FRONTIERS OF THE DISTRICTS
- RIVERS AND LAKES
- NEW TRACED RAILWAY LINE

- HEAD OFFICE OF THE LATVIJAS BANKA.

BRANCHES:

- DOING ALL INLAND AND FOREIGN OPERATIONS
- DOING ALL INLAND OPERATIONS
- WITH LIMITED INLAND OPERATIONS

VALSTSPAPĪRU SPIESTUVE.

LATVIJAS BANKA.
BANK OF LATVIA.

REPORT
FOR
1928.

1929.

PRINTED AT THE STATE PRINTING-OFFICE.

ADMINISTRATION OF THE LATVIJAS BANKA.

COUNCIL.

JŪLIJS CELMS — *Chairman,* Member of the Saeima.
ADOLFS KLĪVE — *Deputy Chairman,* Member of the Saeima.
ADOLFS BĻODNIEKS — Member of the Saeima.
EDUARDS EICHMANIS.
MARKUS GAILĪTIS — formerly Member of the Saeima.
AUGUSTS GRŪBE — Member of the Riga Exchange Committee.
KĀRLIS KASPARSONS — formerly Member of the Saeima.
FRICIS MENDERS — Member of the Saeima.
JĀNIS MIEZIS — Representative of the Ministry of Finance, Director of the State Economic Department.
PĒTERIS SIECENIEKS — Managing Director of the Central Cooperative Association "Konsums".
JEZUPS TRASŪNS — Member of the Saeima.
ANTONS VELKME.

BOARD OF DIRECTORS.

KĀRLIS VANAGS — *Director General.*
VILIS BANDREVIČS — *Deputy Director General.*
ERNESTS OZOLIŅŠ — *Director.*
JĀNIS STALBOVS — *Director.*
STANISLAVS KAMBALA — *Director.*

LATVIJAS BANKA.

BANK OF LATVIA.

1928.

THE economic development of Latvia in the past year revealed two distinct phases spreading approximately over the two calendar halfyears. The first halfyear was characterized by relatively favourable economic conditions in this country, as increasing export, moderate import and a concomitant improvement in the balance of foreign trade, which presented the least adverse returns since 1921. Another satisfactory feature in that period was the active balance of payments, with its natural sequence, — an extraordinary influx of foreign currency into Latvijas Banka.

This development was interrupted by a disastrous flood in June and by a cool, damp summer, in no wise conducive to agriculture. It is true that in the preceding two years agriculture was hampered by adverse climatic conditions, but these were more easily overcome than in the year 1928, when the situation gave rise to a crisis in agriculture which was perceptible everywhere except in the western part of Latvia. In most districts the harvest was so bad that State subsidies and new loans had to be granted to enable farmers to carry on until the next harvest. This augmented considerably the State's expenditure, as also the import of foodstuffs and other goods. This was detrimental to the balances of trade and of payments and, since October, it also began to affect our foreign currency market. The exhaustion of private stocks of foreign currency led to an increased demand for the same in the Bank and, during the last quarter, the Bank had to release a large portion of the increase accumulated in the preceding three quarters. Although the passiveness of foreign trade and the efflux of foreign currency were not so extensive as to affect the Bank's position or the Exchange value of the Lat, they necessitated an encroachment on former savings. The latter are large enough to enable us to overcome the existing difficulties so that agriculture, with the assistance of the State, may overcome the crisis and be able to continue normal work this year. It cannot be denied, however, that our agricultural progress has been practically checked for a year at least. These difficulties have had a less marked influence upon our industries, where there is no indication of a general crisis. The position of our industries was enhanced by the large export, which attained record results especially in respect of timber materials and manufactured goods.

On the whole, the activities of Latvijas Banka increased last year, as is evident from the returns which totalled 4429 million lats in 1928, as against 3824 millions in 1927, showing an increase of 16% last year, as against a decrease of 5% in the preceding year.

Balance Sheets of the Latvijas Banka

(in thousands of lats).

The first line of each item shows the situation in 1927, the second — in 1928, the third — in 1929.

Accounts	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
ASSETS												
1. Gold	23618	23622	23628	23633	23642	23650	23636	23643	23653	23661	23667	23669
	23680	23684	23691	23698	23707	23717	23726	23730	23733	23739	23744	23748
	23754											
2. Foreign currency	21444	21391	19470	23662	25582	28436	27151	28122	38461	44478	48425	48923
	49076	53011	61204	68790	74283	78068	78418	77850	83612	86126	84032	76718
	72466											
3. Latvian State money	17652	13779	14179	15845	17613	16750	16738	16433	16401	14778	14882	15033
	14230	16329	14474	15366	17785	18790	17933	16281	15675	15062	17158	21042
	15149											
4. Bonds	130	309	545	832	993	1174	1404	1583	1723	1998	2157	2203
	2460	3082	3231	3330	3466	3370	3451	3645	4276	4402	4511	4457
	4800											
5. Short term bills & drafts	80700	79889	81763	78312	77764	75838	73503	72876	73217	73218	72685	75553
	80763	80288	80485	81695	82740	82026	83381	82940	84857	83986	84586	86276
	86742											
6. Spec. curr. a/c. & loans	53803	52868	53588	56632	56521	56583	57683	55901	55023	53202	52836	50017
	53106	51123	44094	44145	43237	42399	42298	42313	41996	41360	42318	42813
	45007											
7. Current expenditure & interest	—	332	663	1009	1396	1656	2428	2400	2733	3093	3552	3932
	—	388	790	1186	1606	1933	2424	2851	3255	3769	4175	4622
	—											
8. Sundry assets	2757	2644	2799	2711	2812	2218	2072	2651	2987	4472	4639	4804
	4346	3922	6726	10573	7256	7416	7096	6998	6766	6546	7148	7257
	9473											
Total of balance	**200104**	**194834**	**196635**	**202636**	**206323**	**206305**	**204615**	**203609**	**214196**	**218900**	**222843**	**224134**
	227661	**231827**	**234695**	**248783**	**254080**	**257720**	**258727**	**256608**	**264170**	**264990**	**267672**	**266933**
	257391											
LIABILITIES												
1. Capital	13447	13447	13447	13447	13447	14385	14385	14385	14385	14385	14385	14385
	14385	14385	14385	14385	14385	15581	15581	15581	15581	15581	15581	15581
	15581											
2. Reserve funds	4737	4737	4737	4737	4737	5112	5112	5112	5112	5112	5112	5112
	5112	5112	5112	5112	5112	5591	5591	5591	5591	5591	5591	5591
	5591											
3. Notes in circulation	31475	28369	29804	29493	28377	27602	27923	27868	28592	30361	31651	33482
	37346	37630	38750	39758	40243	40442	41289	41429	43417	45782	44540	43188
	43393											
4. Deposits	14953	15173	15159	15188	15196	15234	13062	12760	12528	12511	12471	10194
	10647	10898	11056	11301	11255	11705	12015	11663	11771	11990	12057	12054
	12372											
5. Current accounts	40841	43488	40871	33678	36260	34626	36339	40887	45484	51876	50294	48497
	50470	52213	53343	48953	47817	53279	54044	54060	55285	58708	66262	60638
	60528											
6. State sums	80664	80574	84373	95281	95692	100592	97383	93659	97061	93986	96548	96335
	100499	99720	101437	117153	118678	120654	113946	115315	116790	110220	104168	107827
	108438											
7. Interest & commission received	—	1209	1699	3508	4065	4599	6354	6885	7388	8990	9514	9953
	—	1189	1758	3444	4075	4736	6279	6932	7612	9066	9718	10455
	—											
8. Sundry liabilities	13987	7837	6545	7304	8549	4155	4057	2053	3646	1678	2868	6176
	9202	10680	8855	8677	12515	5732	7041	6037	8123	8054	9755	11599
	11488											
Total of balance	**200104**	**194834**	**196635**	**202636**	**206323**	**206305**	**204615**	**203609**	**214196**	**218900**	**222843**	**224134**
	227661	**231827**	**234695**	**248783**	**254080**	**257720**	**258727**	**256608**	**264170**	**264990**	**267672**	**266933**
	257391											

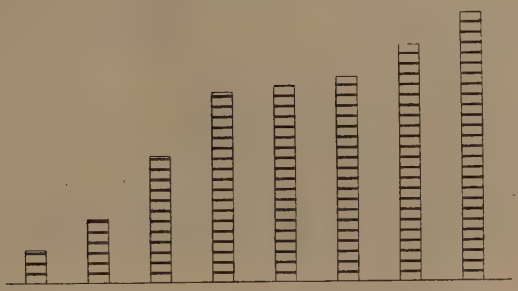
The Bank's balance sheet (from which at present the account of the Head Office with branches is excluded) increased:

from Ls 227,660,907·24 on January 1, 1928
to Ls 257,391,306·60 on January 1, 1929

i. e., by Ls 29,730,399·36 or by 13%, as against 10% in the preceding year.

The development of the Bank's monthly balance sheets is portrayed in the table on page 6.

Balances.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Lats, in millions:	32·3	61·7	122·0	183·3	189·3	196·9	227·7	258·6

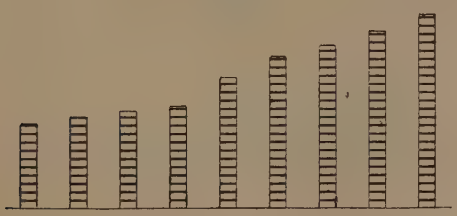
The resources at the Bank's disposal, in proportion to which its activities develop, consist of the Bank's own capital, the issue of banknotes, deposits and current accounts, State sums and various smaller items.

The Bank's own capital increased in the past year by the addition of 35% of the net profit of the year 1927, in accordance with the Bank's statutes:

Capital on January 1, 1928 . . Ls 19,497,403·42
Added in 1928 . . . . . Ls 1,674,606·58

Capital on January 1, 1929 . Ls 21,172,010·—

Capital.

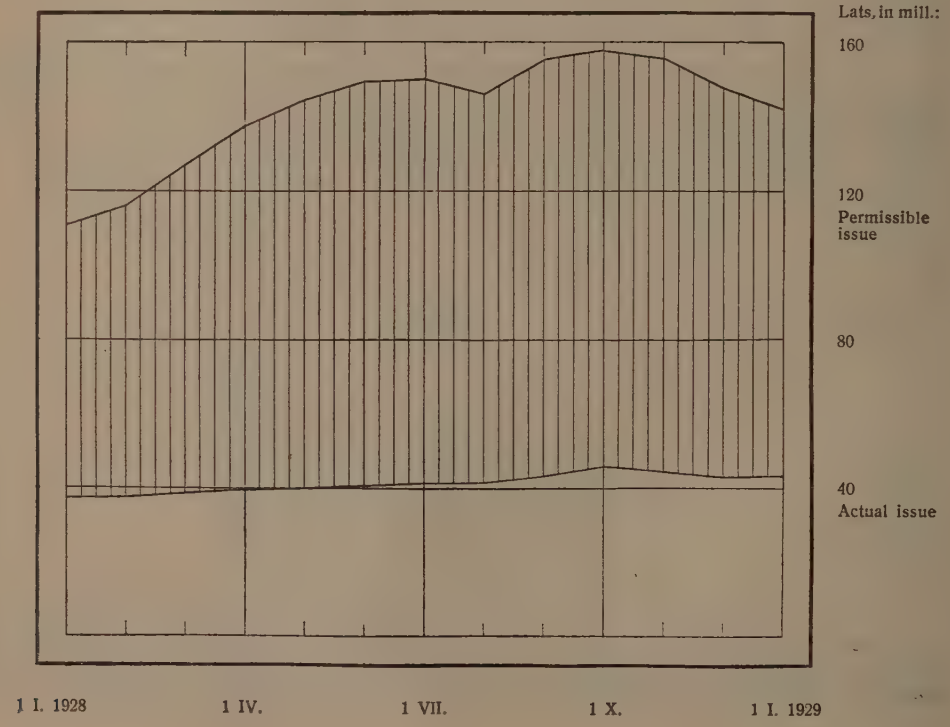


	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929	1929.
Lats, in millions:	10·1	10·9	11·6	12·2	15·7	18·2	19·5	21·2	23·2

The issue of banknotes increased from 37·3 to 43·4 million lats in the past year, i. e., by more than 6 million lats or by 16%, as against nearly 6 million lats or 19% in the preceding year.

Banknotes in circulation on January 1, 1928	Ls 37,346,600·—
Issued in 1928	Ls 18,935,940·—
	Ls 56,282,540·—
Withdrawn in 1928	Ls 12,889,550·—
Banknotes in circulation on January 1, 1929	Ls 43,392,990·—

The issue of banknotes attained its highest level (46 million lats) at the beginning of October, at the time when the Bank had its largest reserve of foreign currency. Although, in the main, the means for buying up foreign currency were provided by the increased State sums and deposits, it was also necessary to augment the issue of banknotes for this purpose to the extent of 8·7 million lats. Since October, when foreign currency began to ebb, the extent of issue has decreased very little, the decrease being impeded by 1) increased State expenditure and the withdrawal of State sums to the extent of several million lats from the Bank, and 2) a small increase of the Bank's credits at the end of the year. The following diagram shows, however, that the past year's increase of issue was small in comparison with the increase of reserves and the permissible extent of issue.



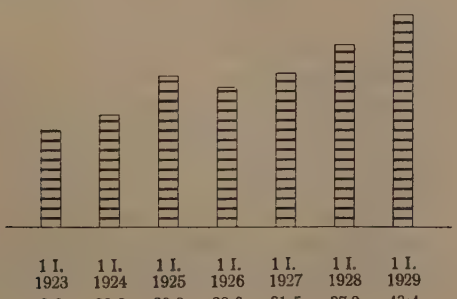
The issue of banknotes increased by 6 million lats last year, but its cover in gold and foreign currency by 23 millions. Consequently, the permissible issue which a year ago amounted to nearly 111 million lats, attained 142 millions on January 1 of this year, presenting an increase of 31 million lats or 28%. The permissible but not utilized issue increased from 73 to 98 million lats, i. e., by 25 million lats or nearly one-third in the course of a year. The largest issue was permissible in October (158 million lats). Thereof, 112 millions were not utilized. The decrease of the stocks of foreign currency towards the end of the year naturally diminished slightly the extent of permissible issue. Nevertheless, the latter continued to exceed the actual issue by over threefold. Thus, as in previous years, the Bank made very moderate and cautious use of its emission rights last year.

The Cover of Issue.

Year, month and day	Banknotes in circulation	Items of cover					Permissible issue (statutes § 13)	Permissible, but not utilized issue
		Gold and foreign currency	% of the issue	Short term bills as cover of issue (Statutes § 13)	Total cover of issue	% of the issue		
	Ls	Ls		Ls	Ls		Ls	Ls
1928								
January 1 . .	37,346,600	58,022,488	155·36	80,762,816	138,785,304	371·61	110,696,651	73,350,051
February 1 .	37,630,340	61,963,163	164·66	80,287,648	142,250,811	378·03	115,950,884	78,320,544
March 1 . .	38,749,920	70,161,622	181·06	80,485,208	151,646,830	391·35	126,882,164	88,132,244
April 1 . . .	39,757,420	77,755,069	195·58	81,695,276	159,450,345	401·06	137,006,759	97,249,339
May 1	40,243,510	83,257,521	206·88	82,740,100	165,997,621	412·48	144,343,361	104,099,851
June 1 . . .	40,442,450	87,051,980	215·50	82,025,702	169,077,683	418·07	149,402,640	108,960,190
July 1 . . .	41,288,720	87,409,390	211·70	83,381,277	170,790,667	413·65	149,879,187	108,590,467
August 1 . .	41,429,460	86,847,145	209·62	82,939,286	169,786,430	409·82	146,058,931	104,629,471
September 1	43,417,020	92,612,453	213·31	86,933,686	179,546,139	413·53	155,112,453	111,695,433
October 1 .	45,781,480	95,132,021	207·80	83,986,549	179,118,570	391·25	157,632,021	111,850,541
November 1	44,539,710	93,042,261	208·90	84,586,363	177,628,624	398·81	155,542,261	111,012,551
December 1	43,187,450	85,732,639	198·51	86,275,704	172,008,343	398·29	147,643,519	104,456,069
1929								
January 1 . .	43,392,990	81,486,721	187·79	86,801,260	168,287,981	387·82	141,982,295	98,589,305

The following diagram portrays the annual development of issue in all the years of the Bank's existence.

Issue.



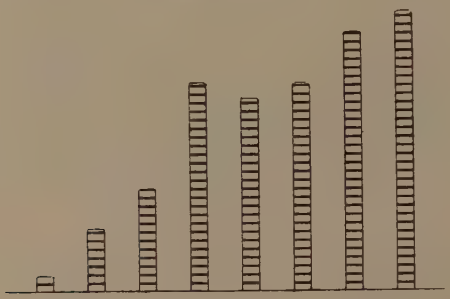
As usual, the different State sums constituted the largest item of the resources in use. These sums comprise the State's reserves, judiciary deposits and budgetary surpluses. These items presented the following returns last year:

Balance on January 1, 1928	Ls	100,498,880·16
Entered in 1928	„	587,465,372·29
	Ls	687,964,252·45
Paid out in 1928	„	579,525,945·04
Balance on January 1, 1929	Ls	108,438,307·41

Thus, in the past year, State sums increased from 100·5 to 108·4 million lats, i. e., by 7·9 millions or nearly 8%. As in preceding years, State sums attained the maximum at the end of the first halfyear, when they totalled 121·1 million lats. Thereupon, until the end of the year, State sums decreased by 12·7 million lats, which was more considerable than in the corresponding period of former years, consequent on the adverse conditions of the past year, which necessitated unforeseen heavy State expenditure, for which purpose the entire surplus of the preceding budget year had to be utilized.

The following diagram illustrates the development of State sums in the past years of the Bank's existence:

State sums.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Lats, in millions:	6·0	24·3	39·6	80·9	74·8	80·7	100·5	108·4

From these sums is to be deducted the State's gold fund, amounting to 14·7 million lats, which, though deposited in the Bank, is not at the Bank's free disposal. Consequently, the State sums which formed a part of the Bank's available resources, amounted to 108·4—14·7 = 93·7 million lats on January 1 of the current year.

Furthermore, there are various deposits and current accounts in Latvijas Banka, which belong to State institutions and autonomous enterprises. These totalled 38·8 million lats on January 1, last year, and rose to 44·6 millions on January 1, 1929. Thus, in the past year, the aggregate State sums at the Bank's disposal increased from 124·3 to 138·3 million lats, i. e., by 14 millions or 11%. All

these sums together represent three-fifths of the Bank's aggregate available resources, and have enabled the Bank to accomodate private enterprise with credits accordingly.

The returns of all deposits and current accounts belonging to State institutions or private persons last year were as follows:

I. Deposits.

Balance on January 1, 1928	Ls	10,646,667·67
Paid in in 1928	„	8,596,778·33
	Ls	19,243,446·—
Paid out in 1928	„	6,871,233·24
Balance on January 1, 1929	Ls	12,372,212·76

II. Current Accounts and Correspondents.

Balance on January 1, 1928	Ls	50,469,686·61
Paid in in 1928	„	700,283,169·24
	Ls	750,752,855·85
Paid out in 1928	„	690,225,187·32
Balance on January 1, 1929 . . .	Ls	60,527,668·53

The deposits and current accounts may be divided into such of State institutions, autonomous enterprises and private, the latter consisting of accounts belonging to 1) private persons and enterprises, and 2) private credit institutions. These sums fluctuated in the past year as follows:

Deposits and current accounts
(lats, in millions).

Year, month and day	State institutions	Autonomous enterprises	Private persons	Credit institutions	Foreign correspondents	Total
1 I. 1928	20·9	17·9	17·8	3·9	0·6	61·1
1 IV.	15·4	21·4	20·8	2·0	0·6	60·2
1 VII.	19·8	22·9	19·8	2·8	0·8	66·1
1 X.	32·4	13·1	22·0	2·5	0·7	70·7
1 I. 1929	29·8	14·7	23·1	4·3	1·0	72·9

Among the Bank's available resources, the deposits and current accounts of private persons, enterprises, credit institutions and correspondents are of secondary importance, compared with the large State sums and the accounts of State institutions. During the past year the aggregate private sums increased from 22·3 to 28·4 million lats, i. e., by 6·1 millions or 27%, which may be termed a fair increase. Thereof, the deposits of private persons and enterprises in the Bank increased from 17·8 to 23·1 million lats. We observe, therefore, an actual increase of private deposits in the Bank, despite noticeable economic difficulties.

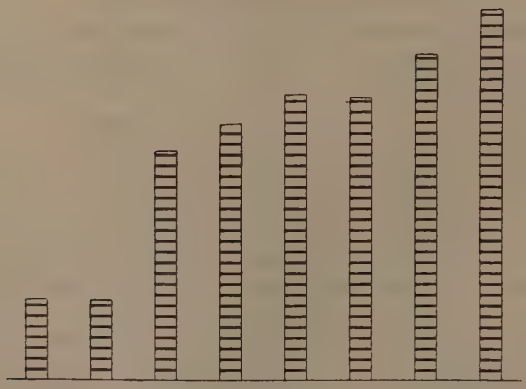
The current accounts of private credit institutions in the Bank are insignificant. These accounts generally show an increase at the beginning of each year, though they are not large even then. On January 1, 1928, credit institutions' current accounts in the Bank amounted to 3·9 million lats, and on January 1 of the current year — 4·3 millions. As a rule, the figure is even smaller in the middle of the year; e. g., 1·6 million lats on March 1, 1928. Owing to their large number, the credit institutions are unable to acquire extensive resources, especially considering the limited savings of the population since the war. The limited scope of their operations increases the percentage of administrative expenses and forces the credit institutions to make the most profitable use of their resources, for example in the way of credits, leaving only a small margin of reserves. Foreign correspondents' accounts are not of great significance in the Bank's balance sheet, though they have increased lately.

Though the Latvijas Banka has lowered its loan rates some two or three times during the past two years, the Bank itself continues paying the same rates of interest on deposits and current accounts as before:

On fixed deposits, over 6 months	6%
„ „ „ up to 6 months	5%
„ net demand deposits	5%
„ current account deposits	4%
„ current a./c. in foreign currency	1·5—2%
„ bills paid at least 15 days before the stipulated term, the Bank refunds discount	4%

The following diagram illustrates the development of deposits and current accounts throughout the period of the Bank's existence:

Deposits and Current Accounts.

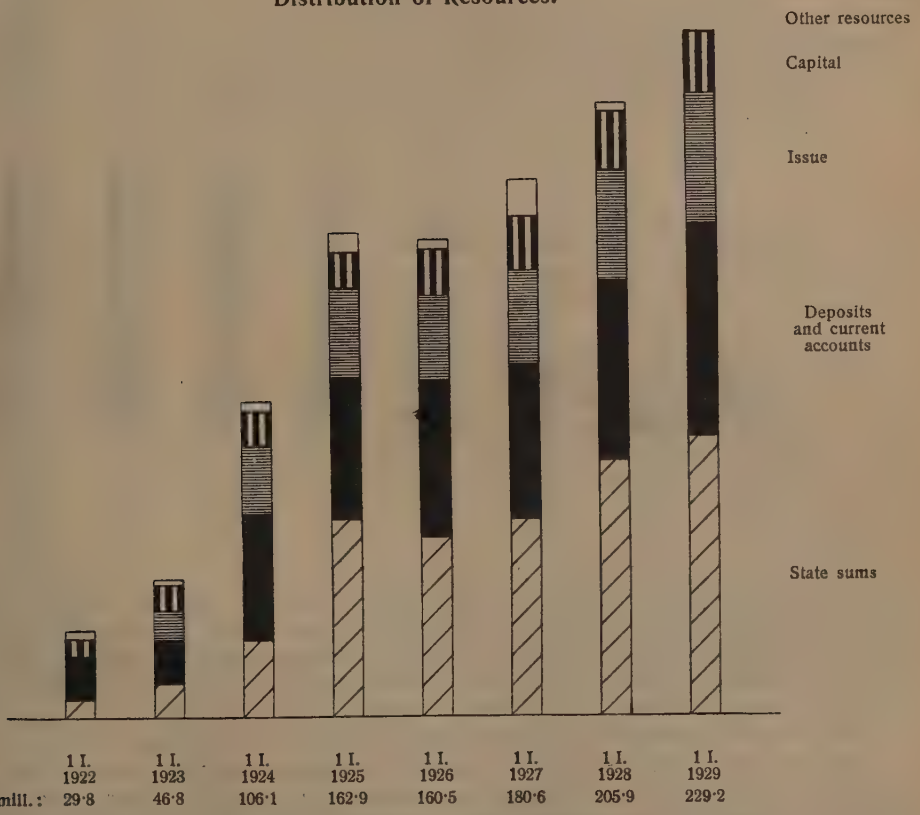


	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Lats, in millions:	14·9	14·7	42·5	47·5	53·0	52·4	60·5	68·7

The development of the different kinds of deposits varied last year: fixed deposits, as in the preceding year, continued to decline from 5·1 to 4·1 million lats; net demand deposits increased from 5·5 to 8·3 million lats, current accounts in lats from 44·9 to 56·3 millions, current accounts in foreign currency decreased from 5·1 to 3·2 million lats, while correspondents' accounts increased from 0·6 to 1·0 million lats.

The Bank's aggregate resources in use increased from 205·9 to 229·4 million lats in the past year, i. e., by 23·5 millions (as against 24·9 millions in the preceding year) or by 11·5% (as against 14% in the preceding year). The principal items of such resources, viz., the Bank's own capital, emission, State sums and deposits increased last year, while the other smaller items decreased.

Distribution of Resources.



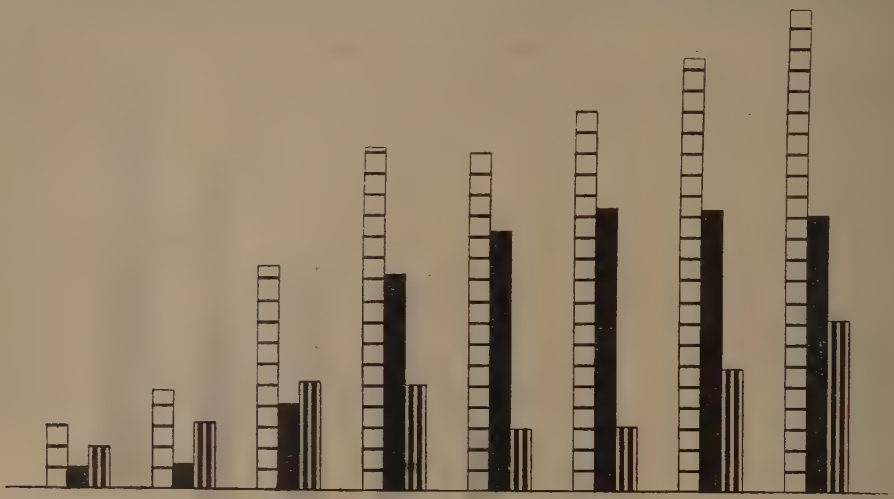
	1 I. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Lats, in mill.:	29·8	46·8	106·1	162·9	160·5	180·6	205·9	229·2

The Bank invests its resources in loans and stable reserves of gold and foreign currency and, lately, also in bonds guaranteed by the State. The greater part of

its resources is employed for loans, though the total amount of such loans has not increased in recent years, in consequence of the Bank's cautious credit policy and the appropriation of large sums for purchasing foreign currency. In fact, the percentage of loan operations has been declining steadily in recent years; from 71% of the Bank's available resources on January 1, 1926 to 69% in 1927, then 64% in 1928 and only 57% on January 1, 1929.

Resources, Loans and Stable Reserves.

On the left of each group-resources, in the middle-loans, and on the right-reserves.



		1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Resources	Lats, in mill.	29·8	46·8	106·1	162·9	160·5	180·6	205·9	229·2
Loans		9·8	11·5	40·8	102·7	123·1	134·5	133·8	131·8
Reserves		19·4	31·8	51·3	50·1	29·1	30·3	58·0	81·5

In the past year, the Bank did not depart from its adopted credit policy, as there was no reason to do so. And it may be said that the satisfactory results achieved during a period of general economic tension afford conclusive evidence of the soundness of this policy. The fundamental principles of the Bank's credit policy have been elucidated in previous Reports, so that reiteration is unnecessary. It suffices here to review the general tendency of this credit policy.

In the main, the Bank endeavours to promote industrial and agricultural production, for export and for local requirements, by means of its credits. Imports receive credit only in exceptional cases of urgent necessity. In consequence of last year's subnormal harvest, an extensive import of foreign goods was unavoidable towards the close of the year. This the Bank could not prevent. However, while

its aggregate credits remained practically unchanged, the loans of the State long term credit institutions increased rapidly. If the Latvijas Banka would also augment the general extent of its credits, the import of foreign goods would surely increase and lead to a still more perceptible diminution of the Bank's stocks of foreign currency.

As has been observed in previous Reports, the requisite amount of short term credit in Latvia has not only been attained, but even surpassed. It is therefore unwise to think of augmenting short term credits. For such an increase of short term credits would be out of all proportion to actual transactions, and would therefore not promote productivity. On the contrary, it would only augment the consumption of goods on credit, as also the import of goods for immediate consumption, which would be very undesirable in prevailing circumstances. Needless to say, this would have a detrimental effect upon the Latvian balance of foreign trade. On the other hand, there is a continuous demand for long term credit, though such credits have increased markedly in recent years. Year by year, the Government grants large sums to the two long term credit institutions of the State, and the Latvijas Banka transfers to them its loans against securities.

Resources in use and Loans of Latvijas Banka
(lats, in millions).

	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Resources:								
State sums	6·0	11·5	25·9	66·2	60·1	66·0	85·8	93·7
Deposits & current a/c.	14·9	14·7	42·5	47·5	53·0	52·4	60·5	71·9
Banknotes	—	9·8	23·0	30·9	28·6	31·5	37·3	43·4
Own capital	6·1	8·9	11·6	12·2	15·7	18·2	19·5	21·2
Other resources	2·8	1·9	3·1	2·1	3·1	12·5	2·8	1·0
Total	29·8	46·8	106·1	162·9	160·5	180·6	205·9	229·2
Loans:								
Discounted bills	5·6	6·1	20·1	36·9	63·4	71·4	77·9	82·4
Foreign drafts	0·2	1·0	2·1	6·1	8·8	9·3	2·8	4·4
Special current a/c.	2·9	3·0	12·4	37·8	32·7	38·0	40·1	32·6
Loans on security	0·7	0·8	4·9	10·4	11·7	11·6	9·8	11·9
Commercial credits	0·4	0·6	1·3	11·5	6·5	4·2	3·2	0·5
Total	9·8	11·5	40·8	102·7	123·1	134·5	133·8	131·8

The Bank's loans may be classified thus:

1) Loans granted to economic branches are divided into two grups, viz., those issued directly to private enterprise, and those to private credit institutions; 2) and according to the form of security. Let us now consider how much has been granted to private enterprise direct from Latvijas Banka, and how much through the medium of credit institutions.

Loans

(lats, in millions).

Year, month and day	To private persons and enterprises	% of the total	To credit institutions	% of the total	Total
1 I. 1924	28·1	69	12·7	31	40·8
1 I. 1925	64·1	62	38·7	38	102·8
1 I. 1926	71·1	58	52·0	42	123·1
1 I. 1927	72·0	54	62·5	46	134·5
1 I. 1928	68·1	51	65·8	49	133·9
1 I. 1929	61·4	46	70·4	54	131·8

The above table shows that, in the past five years, all credits, both direct and indirect, have increased. But while the former increased until 1926 only and thereafter declined slightly, the credits to private credit institutions have been increasing rapidly and uninterruptedly. Therefore, the percentage of these latter credits has increased year by year and, in the space of five years, has risen from 31 to 55% of the total, while direct loans have declined from 69 to 46% in the same period. In this way the Bank transfers a part of the risk to private credit institutions, whereby only large and sound enterprises are still being accomodated with the Bank's credit direct.

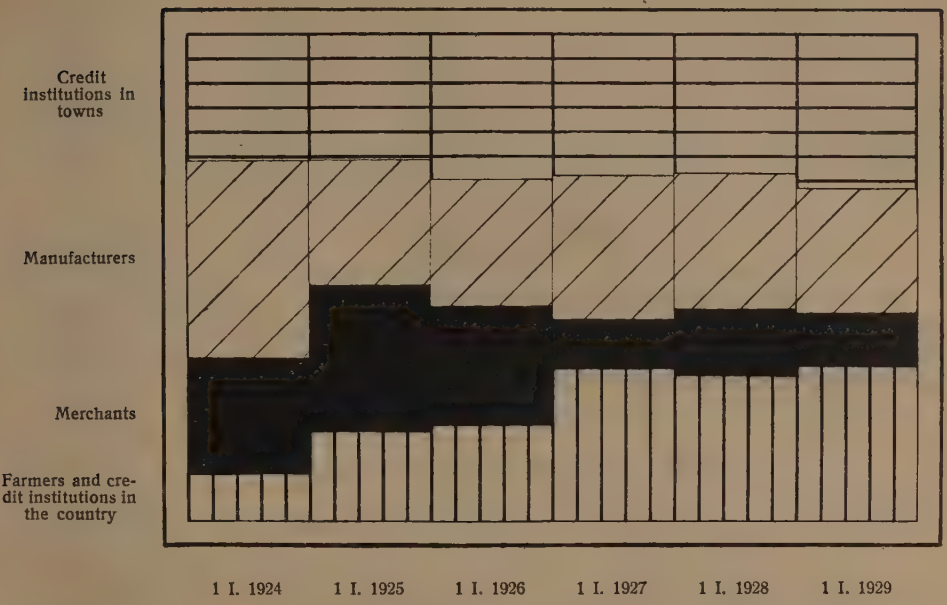
These credits have been distributed among the various economic branches, as follows:

Classification of Loans.

Year, month & day	To manufacturers	To merchants	To farmers central organizations	To farmers	To credit institutions in the country	To credit institutions in towns
1 I. 1924..	15·6	9·2		1·1	2·7	10·1
1 I. 1925..	24·7	29·1		4·3	13·5	25·2
1 I. 1926..	29·6	28·0		4·7	17·8	34·2
1 I. 1927..	42·5	16·4	8·6	4·5	26·0	36·5
1 I. 1928..	37·1	18·4	9·6	3·0	27·3	38·5
1 I. 1929..	33·5	14·5	9·9	3·5	28·4	41·9

In amplification of this table, the following diagram shows the percentage of credits received by each economic branch in recent years: 1) Farmers, their central organizations and credit institutions in the country; 2) manufacturers; 3) merchants, and 4) credit institutions in towns.

Credit Distribution of Latvijas Banka (in percentage).



The credits to urban credit institutions and to agriculture increased last year, while the direct credits to industry and commerce decreased.

Credits to Manufacturers

(lats, in millions).

Classification	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Against bills	7·2	6·6	9·0	7·7	6·9	6·9
„ foreign drafts	?	?	?	5·8	1·5	2·4
„ bonds and other securities	4·4	7·8	8·4	12·8	13·9	14·3
„ goods	3·3	8·7	10·4	14·4	13·5	8·8
„ plant	0·7	1·6	1·8	1·8	1·3	1·1
	15·6	24·7	29·6	42·5	37·1	33·5

The direct credits to manufacturers decreased by 3·6 million lats last year, in respect of credits against merchandise, though there was a slight increase of credits against bonds and the discount of foreign drafts.

Credits to Merchants
(lats, in millions).

Classification	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Against bills	4·3	9·3	14·1	4·8	4·4	3·8
„ foreign drafts	?	?	?	3·6	1·3	2·0
„ bonds and other securities	0·8	3·5	3·1	1·2	2·0	5·2
„ goods	4·1	16·3	10·8	6·8	10·7	3·3
	9·2	29·1	28·0	16·4	18·4	14·5

Together with farmer's central organizations

As was the case with credits to manufacturers, those granted to merchants against merchandise also decreased last year. Furthermore, the discount of merchants' bills decreased slightly, while loans against obligations and the rediscount of foreign drafts increased.

Credits to Farmer's Central Organizations
(lats, in millions).

Classification	1 I. 1927	1 I. 1928	1 I. 1929
Against bills	7·2	7·6	7·5
„ bonds & other securities	0·8	0·9	1·7
„ goods	0·6	1·1	0·7
	8·6	9·6	9·9

In this group also, the credits against obligations increased last year, while credits against merchandise decreased. In general, the credits to this group are growing slowly but surely.

Credits to Farmers
(lats, in millions).

Classification	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Against obligations on real property	0·1	4·2	4·6	4·5	2·9	3·5
Other credits	1·0	0·1	0·1	0·0	0·1	0·0
	1·1	4·3	4·7	4·5	3·0	3·5

Direct credits to farmers have been effected almost solely against mortgages on their real property. These credits increased last year, though such operations are still being transferred to the State Land Bank.

Credits to credit institutions in the country
(lats, in millions).

Classification	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Against bills	2·7	9·1	10·4	20·0	25·6	28·4
„ agricultural plant	—	4·3	5·3	6·0	1·7	0·0
Other credits	0·0	0·1	2·1	0·0	0·0	0·0
	2·7	13·5	17·8	26·0	27·3	28·4

At present, the rural credit institutions have in the Latvijas Banka practically only credits against bills, and these are increasing from year to year. Nearly two-thirds of these bill credits are granted "on call", the remainder being in the form of discount.

Credits to credit institutions in towns
(lats, in millions).

Classification	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Against bills	8·9	21·0	29·8	31·6	33·4	35·7
„ bonds & other securities	0·0	2·8	2·6	3·9	3·2	2·3
„ goods	1·2	1·4	1·8	1·0	1·9	3·9
	10·1	25·2	34·2	36·5	38·5	41·9

The loans to urban credit institutions consist principally of credits against bills, and these are increasing from year to year. The other forms of credit — against obligations and goods — are relatively of smaller significance and are more of an incidental character. The aggregate credits to urban credit institutions are increasing not only absolutely but also relatively, as against the sums granted to other economic branches, and represent no less than 32% of the Bank's total loans.

The following table portrays the development of the various forms of credit:

Classification of loans
(lats, in thousands).

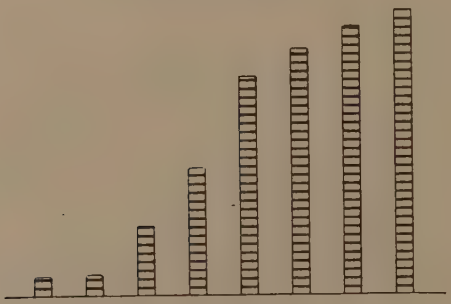
Form of security	1 I. 1927	1 I. 1928	1 I. 1929	Difference against the preceding year
Discounted bills	53,448	55,434	57,772	+ 2,338
„ drafts	9,348	2,835	4,377	+ 1,542
Bills "on call"	17,903	22,494	24,593	+ 2,099
Obligations on real property in the country	4,754	3,298	3,695	+ 397
„ „ „ „ „ towns	12,308	11,165	17,400	+ 6,235
Other securities	3,841	7,657	6,032	— 1,625
Agricultural plant	8,277	2,377	114	— 2,263
Industrial plant	1,925	1,498	1,180	— 318
Goods	22,699	27,111	16,586	— 10,525
Total	134,503	133,869	131,749	— 2,119

In the past year, credits against bills and obligations increased, while loans against goods, agricultural and industrial plant decreased.

The returns of bills and drafts discounted and on call in the past year were as follows:

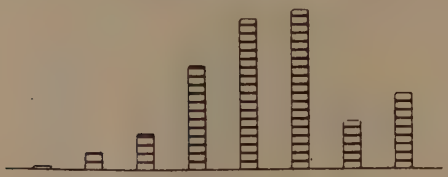
Balance on January 1, 1928	Ls	80,731,926·08
Discounted in 1928	„	303,888,724·08
	Ls	384,620,650·16
Redeemed in 1928	„	297,878,642·90
Balance on January 1, 1929	Ls	86,742,007·26

Discount of Bills.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Lats, in millions:	5·6	6·1	20·1	36·9	63·4	71·4	77·9	82·4

Foreign Drafts.



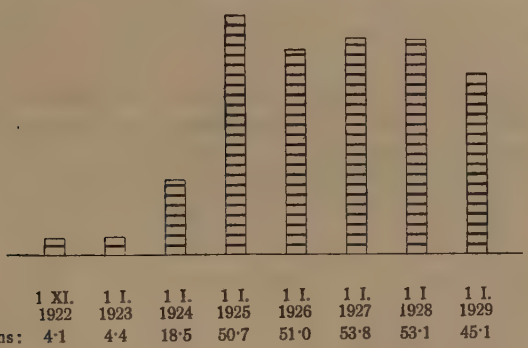
	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Lats, in millions:	0·2	1·0	2·1	6·1	8·8	9·3	2·8	4·4

Credits against bills increased by 6 million lats in the past year and represent no less than 66% of the Bank's total loans, as against 60% a year ago. This is the Bank's principal credit operation, and it is increasing from year to year both absolutely and in comparison with other forms of credit. As in the preceding year, only the rediscount of bills to credit institutions increased, while the direct discount to private persons and enterprises decreased. The discount of export drafts direct for manufacturers and merchants increased by half a million lats. The loans against bonds increased too, especially owing to the occasional crediting of certain State economic enterprises.

Other loan operations developed in the past year as follows:

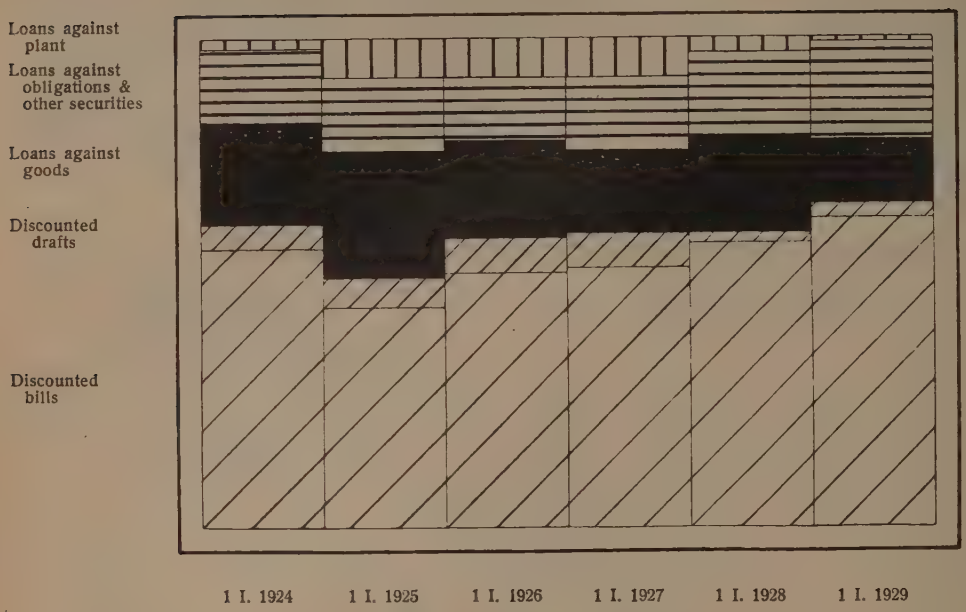
Balance on January 1, 1928	Ls	53,106,067·62
Paid out in 1928	„	61,589,205·33
	Ls	114,695,272·95
Refunded in 1928	„	69,688,413·88
Balance on January 1, 1929	Ls	45,006,859·07

Other Loans.



All other forms of credit decreased last year, particularly loans against merchandise (from 27·1 to 16·6 million lats). This is due to the fact that the Bank does not grant credits against goods at such a high percentage of their value as do the private credit institutions. The percentage of the Bank's other loan operations is decreasing year by year. The credits against agricultural plant were liquidated in 1928, so that this item amounted to only 114,000 lats at the beginning of the current year. The credits against industrial plant are also decreasing year by year. Loans against other securities have also decreased, being transformed partly into loans against obligations.

Distribution of Loans (in percentage).



This diagram reveals the changes in the percentage of the Bank's different loans during the past five years. The corresponding figures are as follows:

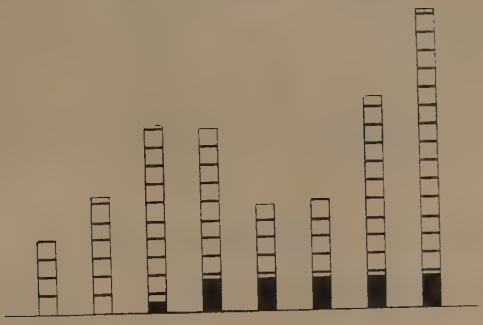
Security	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I 1928	1 I. 1929
Bills	59	45	52	53	58	63
Foreign drafts	3	6	7	7	2	3
Bonds and other securities	15	15	13	15	17	20
Plant	2	8	8	8	3	1
Goods	21	26	20	17	20	13

The loan rates indicated by the Bank on April 1, 1928 and published in the Bank's report for 1927 have not been altered. In general, these rates are very low and well adapted to actual conditions.

As the Bank did not employ the large increase of resources, acquired in the first three quarters of the past year, for granting new loans, and as the favourable balance of trade during the first halfyear resulted in a considerable influx of foreign currency, the Bank was able to augment considerably its reserves of stable foreign currency. The latter increased from 49·1 million lats at the beginning of the year to 86·1 millions on October 1, or by 37 million lats in nine months.

The subnormal harvest and consequent increased imports led to an efflux of foreign currency in payment of foreign goods, which reduced the Bank's stocks of foreign currency in the last quarter to 72·5 million lats, i. e., by 13·6 millions.

Gold and foreign currency.



	1 XI. 1922	1 I. 1923	1 I. 1924	1 I. 1925	1 I. 1926	1 I. 1927	1 I. 1928	1 I. 1929
Foreign currency (lats, in mill.)	19·3	31·6	48·3	41·2	20·2	21·4	49·1	72·5
Gold (lats, in mill.)	0·1	0·2	3·0	8·9	8·9	8·9	8·9	9·0

Although more than one-third of the increased foreign currency reserve achieved in the first three quarters was absorbed in the last quarter of the year, this increase still amounted to 23·4 million lats, and together with the Bank's own stock of gold, representing a practically unchanged value of 9 million lats, the stable reserves totalled nearly 81·5 million lats. On January 1, of this year the stable reserves covered the issue of 43·4 million lats by 188%, as against 155% a year ago, which is undoubtedly an achievement not only from the Bank's own standpoint, but also in the interests of the State. The importance of such stable reserves is more than evident: The Bank has to provide Trade with the foreign currency necessary to cover the import surplus in the balance of foreign trade.

The returns of foreign currency last year exceeded those of the year 1927:

Balance on January 1, 1928 . .	Ls 49,075,553·91
Bought in 1918	„ 233,864,415·46
	Ls 282,939,969·37
Sold in 1928	„ 210,474,257·63
Balance on January 1, 1929 . .	Ls 72,465,711·74

Contrarily, the returns of gold have been small:

Balance on January 1, 1928 . .	Ls 23,679,825·15
Bought in 1928	„ 174,328·88
	Ls 23,854,154·03
Sold in 1928	„ 100,254·02
Balance on January 1, 1929 . .	Ls 23,954,408·05

Besides loans and stable reserves, bonds guaranteed by the State acquired considerable significance among the Bank's assets in the past few years. At the beginning of 1926, the amount of such bonds in the Bank's possession did not exceed 52,000 lats. In 1927 it rose to 130,000, but already on January 1st, 1928 — 2·5 million lats, and on January 1, 1929 no less than 4·8 million lats. These bonds are mainly mortgages of the State Land Bank acquired by the Latvijas Banka, having transferred to the Land Bank various loan transactions which are more adapted to the character of the latter institution, in keeping with debtors' interests, to wit, — our farmers. Loans to manufacturers, transferred to the Latvian Mortgage Bank, do not figure as bonds, but as loans pending the final settlement of all formalities and the receipt of mortgages.

The returns of bonds were as follows last year:

Balance on January 1, 1928 . .	Ls	2,460,466·50
Bought in 1928	„	2,902,522·97
	Ls	5,362,989·47
Sold in 1928	„	562,819·97
Balance on January 1, 1929 . .	Ls	4,800,169·50

The returns of Latvian State money in cash were as follows in 1928:

Balance on January 1, 1928 .	Ls	14,230,328·42
Received in 1928	„	805,025,673·53
	Ls	819,256,001·95
Paid out in 1928	„	804,106,386·17
Balance on January 1, 1929 .	Ls	15,149,615·78

The returns of money in cash exceeded by nearly 60 million lats those of the preceding year. The returns of postal cheques increased by nearly 50%, as follows:

Balance on January 1, 1928 . .	Ls	1,491,444·78
Paid in in 1928	„	55,508,030·36
	Ls	56,999,475·24
Paid out in 1928	„	55,991,425·14
Balance on January 1, 1929 . .	Ls	1,008,050·—

No particular changes occurred in the Bank's real property and inventory in the past year:

Balance on January 1, 1928 . . .	Ls 647,122·88
Acquisitions in 1928	„ 76,443·06
	Ls 723,565·94
Written off in 1928	„ 94,629·13
Balance on January 1, 1929 . . .	Ls 628,936·81

The activities of the Clearing House attached to the Latvijas Banka have developed remarkably, though certain credit institutions have not yet joined the service. The returns of the Clearing House attained Ls 81,881,188·—, as against Ls 56,971,985·80 in the preceding year.

The profit and loss of Latvijas Banka presented the following picture last year, compared with former years:

Profit and Loss
(lats, in thousands).

	1922	1923	1924	1925	1926	1927	1928
Profit:							
On discounted bills	69	1,063	2,234	4,358	4,597	4,207	4,141
„ other loan operations	100	1,091	4,007	6,551	6,239	5,774	4,823
„ transactions in foreign currency	929	1,518	3,907	3,393	1,826	1,254	2,891
Sundries	19	204	130	199	745	1,301	763
Total . .	1,117	3,876	10,278	14,501	13,407	12,536	12,618
Loss:							
Loss on operations	55	1,755	545	2,238	5,486	3,277	1,781
Interest	76	849	1,516	1,760	2,046	2,269	2,376
Salaries, administr. expenses, wear & tear etc.	130	1,090	1,618	1,853	2,122	2,206	2,746
Transferred to active operations security fund .	—	—	1,000	1,500	—	—	—
Total loss . .	261	3,694	4,679	7,351	9,654	7,752	6,903
Total net profit . .	856	182	5,598	7,150	3,753	4,784	5,715
	1,117	3,876	10,277	14,501	13,407	12,536	12,618

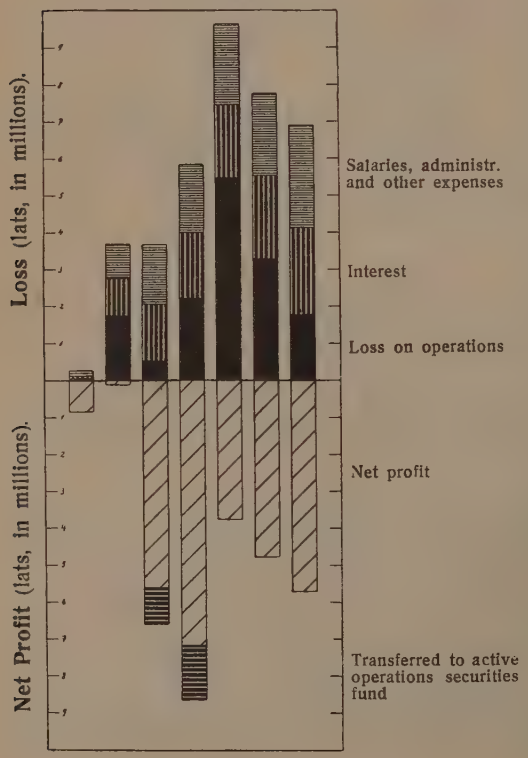
The Bank's profit on the discount of bills decreased slightly last year, while the profit on other loan operations decreased by nearly one million lats, consequent on the diminished extent of such operations and owing to the lowering of the Bank's interest rates since April 1, 1928. The aggregate credit operations rendered the Bank a revenue of nearly 9 million lats last year, i. e., about one million lats less gross profit than in the preceding year, or, in percentages, only 71% of the total gross profit instead of 80%. But as the sums written off as lost were smaller last year, the net profit on credit operations has not decreased to any marked extent, amounting to 7·2 million lats instead of 7·4 millions (including sums written off and recovered). The sum invested in loan operations in the year

1928 averaged 131·4 million lats, and this rendered an average profit of 5·5%, as against 5·1% in the preceding year.

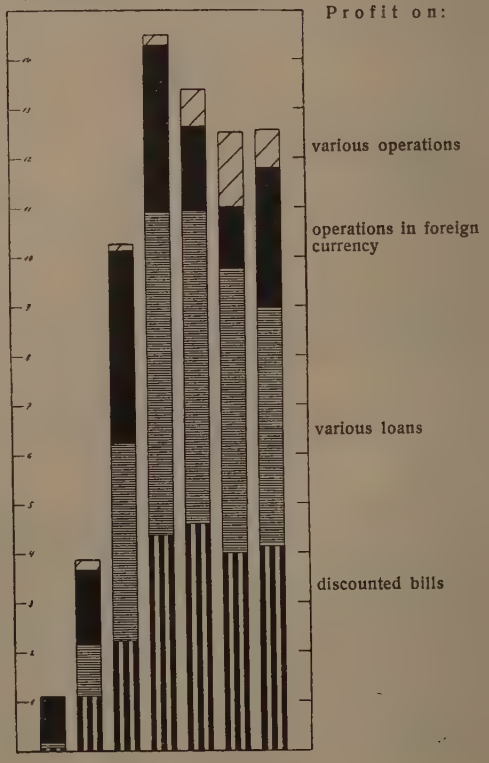
The profit on operations in foreign currency increased considerably last year, in connection with the increase of the stocks of foreign currency (mostly deposited abroad) and increased returns. It amounted to 23% of the Bank's total gross profit, as against only 10% in the preceding year.

A larger sum was written off as loss on operations than a year ago. Interests on deposits increased slightly last year owing to the increase of aggregate deposits. The increase of administrative expenses by half a million lats in the past year was not due to any increase in the number of officials, but to improved salaries and the expenses for altering the interior of the Bank's offices. The total expenditure and loss in the past year were less than a year ago, and as the aggregate gross profit was nearly the same as in 1927, the net profit exceeded that of the preceding year by 931,000 lats.

Loss and net profit of Latvijas Banka.


1922 1923 1924 1925 1926 1927 1928
Loss (lats, in millions).
Net Profit (lats, in millions).
Salaries, administr. and other expenses
Interest
Loss on operations
Net profit
Transferred to active operations securities fund

Profit of Latvijas Banka.
(Lats, in millions.)



In conformity with the Bank's statutes, the net profit is to be apportioned as follows:

To founded capital (25%) . . .	Ls	1,428,778·79
„ reserve „ (10%) . . .	„	571,511·52
„ bonuses	„	296,848·77
„ State Revenue	„	3,417,976·09
	Ls	5,715,115·17

These entries having been effected, the Bank's capital comprises the following sums:

Founded capital	Ls	16,999,207·77
Reserve „	„	3,626,097·54
Special reserve fund	„	2,500,000·—
	Ls	23,161,300·31

Hitherto, the Bank's own capital aggregated Ls 21,161,010·—.

Since its foundation, the Bank has augmented State Revenue by the following sums:

In 1922	Ls	501,846·29
„ 1923	„	104,792·36
„ 1924	„	3,296,301·76
„ 1925	„	4,226,800·02
„ 1926	„	2,196,562·59
„ 1927	„	2,847,405·82
„ 1928	„	3,417,976·09
	Altogether Ls	16,591,684·93

Debit. **Profit and**

	Lats	c.	Lats	c.
Paid:				
Interest on deposits	598,142	18		
„ „ current accounts	1,754,026	60		
„ „ curr. a/c. of correspondents	23,718	88	2,375,887	66
Current expenditure:				
Salaries and fees	2,143,925	46		
Administrative expenses	235,363	90		
Household expenses	272,702	60	2,651,991	96
Wear and tear of furniture, fixtures and real estate, written off			93,477	13
Loss on protested bills, spec. curr. a/c., termin. loans and warrants			1,781,109	28
Loss on sundries			131	80
			6,902,597	83
Net profit			5,715,115	17
			12,617,713	—
Apportioning of the net profit in conformity with the Bank's statutes:				
To founded capital 25%			1,428,778	79
„ reserve fund 10%			571,511	52
„ bonuses			296,848	77
„ State Revenue			3,417,976	09
			5,715,115	17

Loss Account 1928. *Credit.*

	Lats	c.	Lats	c.
Interest and commission received:				
On discount operations:				
On discounted drafts	210,108	35		
„ „ bills	3,931,166	82		
„ spec. curr. a/c. secured by bills	1,388,635	94	5,529,911	11
On special curr. a/c. and loans:				
Against obligations on real property	1,773,927	65		
„ agricultural & industrial plant	185,871	86		
„ goods	1,474,341	35	3,434,140	86
On curr. a/c. of correspondents			2,702,844	95
On warrants			365,145	19
On commission operations			178,185	10
Profit on exchange difference:				
On foreign currency:				
On foreign gold and silver money	7,876	23		
„ money and drafts in cash and with correspond.	180,077	13	187,953	36
On bonds			219,532	43
			12,617,713	—

Assets. **Balance Sheet**

	Lats	c.	Lats	c.
Stock of gold:				
Foreign gold specie in cash	1,151,257	24		
Gold bullion belonging to the Bank, abroad	7,869,752	02		
„ „ deposited by the Exchequer	14,732,890	75	23,753,900	01
Foreign currency:				
Foreign silver money in cash	26,516	23		
„ money in cash	1,164,241	36		
„ „ abroad (Correspond. a/c. "Nostro")	71,274,954	15	72,465,711	74
Latvian State money:				
silver money, treasury notes and small coin	—	—	15,149,615	78
Postal cheques	—	—	1,008,050	—
Bonds	—	—	4,800,169	50
Short term bills:				
discounted foreign drafts	4,376,708	39		
„ bills	56,374,553	62		
„ „ with branches and correspondents	1,397,795	05		
spec. curr. a/c. secured by bills	24,592,950	20	86,742,007	26
Special current accounts and loans:				
against obligations on real property and other values	27,126,947	95		
against agricultural and industrial plant	1,293,211	68		
„ goods	16,586,699	44	45,006,859	07
Inventory and real property:				
inventory	329,981	73		
real property	298,955	08	628,936	81
Other assets	—	—	7,836,056	43
	—	—	257,391,306	60
Bills & documents for collection	—	—	9,614,318	89
Transitory values	—	—	25,393,432	26
Various securities	—	—	149,848,523	28

Chief Accountant: *E. Lācis.*

January 1, 1929. *Liabilities.*

	Lats	c.	Lats	c.
Capital:				
capital fully paid up	15,581,423	98		
reserve fund	3,090,586	02		
the Bank's active operations security fund	2,500,000	—	21,172,010	—
Banknotes issued	—	—	43,392,990	—
Deposits:				
fixed deposits	4,081,893	84		
net demand deposits	8,290,318	92	12,372,212	76
Current accounts:				
current accounts	49,965,484	92		
„ „ not bearing interest	6,366,588	82		
„ „ in foreign currency	3,220,196	44		
correspondents a/c. "Loro"	975,398	35	60,527,668	53
Exchequer:				
State Revenue Ls 125,341,353·06				
„ Expenditure „ 119,500,455·48	5,840,897	58		
„ deposits & special funds	102,597,409	83	108,438,307	41
Other liabilities	—	—	5,773,002	73
Profit and loss, net profit	—	—	5,715,115	17
	—	—	257,391,306	60
Delivered warrants & acceptances	—	—	10,783,536	05

Director General: *K. Vanags.* Deputy Director General: *V. Bandrevičs.*
Directors: *E. Ozoliņš, J. Stalbovs, St. Kambala.*

THE ECONOMIC POSITION IN 1928.

State Finances, Credit and Money Market.

During the past six years, the Latvian State Budget has always rendered a larger or smaller residue.

In the budget year				1922/23	—	21·6	million lats
„	„	„	„	1923/24	—	32·6	„ „
„	„	„	„	1924/25	—	17·1	„ „
„	„	„	„	1925/26	—	1·5	„ „
„	„	„	„	1926/27	—	4·6	„ „
„	„	„	„	1927/28	—	11·9	„ „
						88·9	million lats

The disastrous flood and the bad harvest last year gave rise to very heavy unforeseen expenditure, which called for extraordinary Revenue. It was impossible to provide this revenue by the ordinary means of taxation. It was necessary to utilize for this purpose 25 million lats of the foreign loan received through the medium of the Swedish Match Syndicate, as also the entire surplus of the preceding budget year — 11·5 million lats.

On April 1, at the end of the budget year 1928—29, a surplus of 21 million lats was left in the Latvijas Banka. According to experience gathered in former years, it may be expected that 8 or 9 million lats of this surplus will be disposed of in the course of the next few months, so that the final balance will be about as large as in the preceding year, viz., 11·5 million lats. Considering that the entire residue of the preceding budget year was used up for covering the extraordinary expenditure of the past budget year, a nominal surplus of 11·5 million lats actually signifies that the past year was closed without either a surplus or a deficit. However, it is to be expected that by the end of the budget year the additional expenditure will be larger than in former years, so that, finally, the year 1928—29 will doubtless be closed with a deficit, not including the 25 million lats of the supplementary budget covered by a foreign loan.

So far, detailed information is available only for the first ten months of the budget year 1928—29, i. e., up to February 1. During this period, State Revenue attained 147·8 million lats (as against 135 millions in the corresponding period of the preceding year), and expenditure 139·5 million lats (as against 127·4 millions in the same period of the preceding year). Thus, Revenue exceeded Expenditure by 8·3 (7·6) million lats. The largest increase of Revenue, as

against the preceding year, was rendered by Customs duties, the spirit monopoly and railways, while the revenue from direct taxes and State forests decreased. In regard to Expenditure, we register a decrease of State credits and social relief expenses. As compared with the budget itself (10/12 of the primary budget and $^1/_3$ of the supplementary budget), so far, Revenue has been smaller by 3·5 million lats and Expenditure by 12 millions. Later, after receiving and employing the foreign loan in the manner laid down in the supplementary budget, the different items will be properly adjusted. Certain budget items, however, as, for example, direct taxes, — will probably not render the sums forecast in the budget.

The new Budget, as proposed for the year 1929—30, has been provisionally passed by the Government and approved by the budget commission of Parliament, at a total of 165·0 million lats, being only 0·9 million lats larger than the primary budget of the preceding year, which amounted to 164·1 million lats (207·7 millions together with the supplementary budget accepted later). It is impossible to say at the present stage whether an additional budget will be necessary this year as well. In all probability, it will hardly be possible to avoid such a supplementary budget, though it may not be so large as in the preceding year, when conditions were exceptionally unfavourable.

As compared with the primary budget of the preceding year, there has been but little change in the apportioning of sums. As usual, indirect duties render the State the largest revenue, viz., Customs duties, monopolies, excise and stamp duty. The exploitation of State forests, railways and other enterprises, together with the profit of State credit institutions rank second, while the third place is taken by direct taxes, presenting a comparatively small amount. Only 14 million lats are expected this year as revenue from direct taxes, i. e., 1·5 million lats less than in the preceding year. Direct taxes provide only 8% of the aggregate State Revenue. Notwithstanding this, the population is keenly sensible of the burden of direct taxes, only the smaller part of which appears in the State Budget, while the larger part is collected by the communities. Furthermore, direct taxes have to be paid in large sums, while the indirect duties are paid little by little during the year, which is a great facility.

It is expected to collect this year more than 48·5 million lats in the form of customs dues, i. e., 2·5 millions more than was forecast in the budget of the preceding year. The brisk development of foreign trade resulted in a considerable increase of customs duties over the budgetary forecast, so that there was good reason to expect a larger sum this year. Customs duty constitutes the principal source of State Revenue, monopolies ranking second. Among the latter, the greatest fiscal importance is attached to the spirit monopoly, which is expected to render 28 million lats, i. e., the same amount as in the preceding year. The flax monopoly, on the contrary, is no longer regarded by the Government as a source of Revenue. The profit derived therefrom is returned to growers in the form of reasonable prices and premiums in order to promote this branch of agriculture, which is no longer so profitable as in the first years of Latvian independence when flax was one of the principal items of State Revenue. It is expected to collect nearly 18 million lats from excise duties this year, i. e., 1 million lats

more than in the preceding year. The tobacco excise, in particular, is expected to render a larger sum, and it is noteworthy that this item provides two-thirds of the total revenue from Excise. Stamp duty, patents and petition duty are expected to render 3·5 million lats, or practically the same amount as in the preceding year. The same applies to the profit of 7·5 million lats expected from State credit institutions, 7 millions from the exploitation of railways and 2·5 millions from Post, Telegraph and Telephone, all these items remaining unchanged in the budget. The revenue from forests is forecast at 1·5 million lats below the figure of the preceding year. State forests and lands together are expected to render 13·5 million lats. The budget contains the following new items, viz., 3·8 million lats, being balance of the foreign loan and 1·6 million lats from the sale of the State's real property.

As in the case of Revenue, so in the forecast of Expenditure, there are no perceptible changes, as against the preceding year. The largest sum, about 40 million lats, is destined for the Army, 18 millions for Education, 17 millions for Social Relief, and so forth. The expenditure for Transport has increased by 2·5 million lats, totalling 23 million lats, consequent on the investing of larger State resources in railways. Five million lats are necessary for constructing new lines alone, and 11 millions including the expenses for reconstruction and amelioration. There is very little change in the expenditure of other institutions The amount necessary for the yearly amortization and payment of interest on foreign loans has increased from 2·4 to 4·4 million lats.

Latvia's aggregate foreign loan decreased to 81·1 million lats on January 1, 1928, but was increased again by 31·1 millions received by the Latvian Government through the medium of the Swedish Match Syndicate, this being the first foreign loan received by Latvia in normal peace conditions. Owing to the difficulties prevailing at the moment, it became necessary to appropriate the greater part of this loan for the requirements of the supplementary budget of the year 1928—29, and not for the originally conceived purpose of long term investments. The aggregate foreign loans of the Latvian State are small, comprising the following items only: 52·3 million lats to the British Government, 28·8 millions to the United States Government and 31·1 millions to the Swedish Match Syndicate, — total 112·2 million lats.

Owing to the lack of private credit, large sums have been assigned and employed year by year for the crediting of private enterprise:

1922./23.	2·4	mill. lats
1923./24.	13·0	„ „
1924./25.	16·6	„ „
1925./26.	16·5	„ „
1926./27.	18·5	„ „
1927./28.	20·6	„ „
1928./29.	41·9	„ „
1929./30.	17·5	„ „

Thus, in the course of eight years, 247 million lats have been included in the Budget for the purpose of credit. The sums are transferred to private enterprise (and, to a small extent, to the rural communities) through the medium of the State Land Bank and the Latvian Mortgage Bank, but partly also direct through the Ministry of Finance. The interest received, i. e., a part of the profit of the State Credit Institutions, altogether 7 to 8 million lats, is added to State Revenue yearly, while the capital repaid is lent out again to other enterprises and persons. Similarly, the budgetary residue, amounting to about 90 million lats in the past seven years, has so far not been added to the next year's budget as Revenue, but passed to the State reserve, which is deposited in the Latvijas Banka, which is thus enabled to utilize the mentioned reserves for short term credits. Owing to the considerable expenditure involved by last year's supplementary budget, these surplus sums have diminished perceptibly. On April 1 of this year, at the end of the budget year, there were in the Latvijas Banka State reserves for about 47 million lats, the provisional surplus of the past year amountig to 21·2 millions, the State's gold fund presenting a value of 14·7 millions, altogether 82 million lats, while the Foreign Currency Operations Fund which totalled 14·5 million lats a year ago has been practically exhausted during this year. Furthermore, the Bank has at its disposal the current accounts and deposits of various State institutions, autonomous enterprises and courts. The three State Banks received their capital from budgetary sums which, together with their yearly increasing reserves, can be utilized for crediting private enterprise. The Latvijas Banka is also able to use its emission rights for this purpose. In the year 1928, the aggregate State credits increased from 279·4 to 324 million lats, i. e., by 16%, the largest increase of credits being registered in the State Land Bank and in the Latvian Mortgage Bank, whose loans are of a long term character. On the other hand, the credits of Latvijas Banka have, in general, not increased.

The development of long term credits granted by the State and the diminution of short term credit is in keeping with the actual requirements of our money market. Short term credit is obtainable at any time for productive purposes and for sound commercial transactions. On the other hand, so great is the demand for long term credit for promoting agriculture, housebuilding, industry and shipping, that it is impossible to estimate the requisite sum. Private credit rates are still very high (11 to 12%), and do not correspond with the rates of the State credit institutions, and this is natural because the uncovered demand for long term credit influences the public money market.

As in previous years, the quotation of Latvian currency continued absolutely stable, there being no cause whatever for fluctuation. The cover of notes issued by Latvijas Banka permits of a more than threefold increase of the present issue; but the Bank refrains from increasing the issue, in adherence to its cautious credit policy.

Private Credit Institutions.

The progress of our private credit institutions is no longer so rapid as in former years, as these institutions have already reached the stage of development adapted to the economic conditions obtaining in Latvia at present. In the first place, the Latvijas Banka augments its credits in exceptional cases only. Secondly, in prevailing economic difficulties, the influx of private resources into the banks in the form of deposits is impeded. There has been no increase lately in the number of credit institutions (648), as the liquidation of some institutions was a set-off to the founding of a couple of new loan and savings banks last year. The possibility to obtain credits in the Latvijas Banka immediately after the beginning of activities stimulated the promoting of small co-operative credit institutions. This stimulus exists no longer. For, with the help of these credits a dense network of small credit institutions was created in the provinces in a few years. It is neither necessary nor desirable to have this network enlarged in prevailing circumstances, as the number of credit institutions operating in some districts is already too large. Consequently, the average sum of resources available per institution is too small to ensure successfull work and a normal margin of profit without making the credit more expensive than is desirable. Only a few of the small credit institutions would be able to act independently, without State credits. Most of these institutions receive credits from Latvijas Banka direct, while many obtain credit from institutions which are credited by Latvijas Banka. Although, the founded capital of a loan and savings bank does not average more than 25,000 lats and the available resources hardly exceed 136,000 lats per enterprise, there is no inclination towards fusion with other credit institutions. This idea has been very often discussed and approved by the Government, and Parliament even passed a special law to facilitate the fusion of credit institutions. Nonetheless, in practice, the directors of each enterprise prefer to carry on independently. They might be forced to amalgamate only by a law determining a certain minimal capital for credit institutions or by depriving the very small credit institutions of further credit.

The extent of their activities did not remain unchanged last year as did the number of credit institutions. The percentage of increase in the aggregate balance sheet shows, however, that development was very slow in the past year: The aggregate balance sheet increased by 6% only, as against 14% in the preceding year, and 21% in 1926. Thus, we register a gradual decline of activities from year to year. It may be observed, however, that this 6% does not afford an exact picture of last year's progress, owing to the exclusion of some superfluous items of the balance sheets of joint-stock banks, in accordance with instructions of the Ministry of Finance. Consequently, the balance sheets of joint-stock banks show practically no increase, though they developed satisfactory activities last year.

The development of all Latvian private credit institutions in the past year is portrayed by the following aggregate balance sheet in brief:

Balance of Private Credit Institutions on January 1.

Assets (lats, in millions).

Accounts	1928	1929	Difference	Difference in %/%
Cash	5·2	6·8	+ 1·6	+ 38
Current a/c. in the Latvijas Banka	4·0	3·8	— 0·2	— 5
„ „ „ other credit instit.	4·2	4·1	— 0·1	— 2
Foreign currency	4·9	7·2	+ 2·3	+ 47
Bonds	3·7	4·7	+ 1·0	+ 27
Discounted bills	77·0	87·9	+ 10·9	+ 14
Loans	51·2	52·9	+ 1·7	+ 3
Special current accounts	62·5	67·1	+ 4·6	+ 7
Commercial credits	2·5	2·7	+ 0·2	+ 8
Correspondents	19·2	21·0	+ 1·8	+ 9
Protested bills	1·9	1·8	— 0·1	— 5
Real property	16·3	19·8	+ 3·5	+ 22
Sundries	39·7	31·0	— 8·7	— 22
Total	292·3	310·8	+ 18·5	+ 6

Liabilities (lats, in millions).

Accounts	1928	1929	Difference	Difference in %/%
Capital	44·5	46·5	+ 2·0	+ 4
Reserve fund & special reserve	7·1	8·3	+ 1·2	+ 17
Fixed deposits	11·7	12·0	+ 0·3	+ 3
Net demand deposits	11·2	14·3	+ 3·1	+ 28
Current accounts	60·1	70·5	+ 10·4	+ 17
Rediscount in the Latvijas Banka	39·4	43·5	+ 4·1	+ 10
„ „ other credit instit.	7·1	9·3	+ 2·2	+ 31
Loans and special current a/c.	28·2	31·6	+ 3·4	+ 12
Correspondents	29·3	27·1	— 2·2	— 8
Sundries	53·7	47·7	— 6·0	— 11
Total	292·3	310·8	+ 18·5	+ 6

The credit institutions have augmented their aggregate resources by nearly 13%. But it is noteworthy that the absolute increase of founded capital was fifty percent smaller than in the preceding year, while deposits increased by about the same amount as a year ago. This increase may be ascribed almost exclusively to current accounts and net demand deposits. As a rule, depositors are not disposed to submit to binding terms. For this reason, fixed deposits, which constituted the principal form of deposits before the war, have not recovered popularity in this country, despite the high rate of interest paid on them. The

increase of utilized re-discount, credits and loans in Latvijas Banka and in other credit institutions exceeded by three times the increase of a year ago, but has not surpassed $11^1/_2{}^0/_0$. The character of correspondents' accounts is too indeterminate and unsteady to allow of this item being added in full to the resources in use. These accounts decreased slightly during the past year. Classifying the resources of credit institutions into such as are collected by themselves (capital and deposits) and such as are collected by others (rediscount and loans in other credit institutions), we find no change in the percentage of these two groups. But, in the preceding year, there was noticeable an increase of the percentage of own collected resources, which was an indication of greater independence. Last year, this tendency was maintained in the mutual credit societies and in the loan and savings banks, but there was a contrary tendency in the larger banks, where the percentage of other people's resources increased. The average percentage of own collected means in our credit institutions represents nearly two-thirds of the total, while the resources collected by others exceed one-third of the total sum.

Groups of credit institutions	Own resources				Means from other sources			
	1 I. 1928		1 I. 1929		1 I. 1928		1 I. 1929	
	Ls, in mill.	%/o	Ls, in mill.	%/o	Ls, in mill.	%/o	Ls, in mill.	%/o
Joint-stock banks	71·9	78	76·7	74	20.7	22	27·3	26
Exchange and town banks	11·3	75	13·2	69	3·7	25	6 0	31
Town and comm. savings banks	2·5	81	3·4	85	0·6	19	0·6	15
Mutual credit societies . .	15·0	60	19·7	67	9·7	40	9·7	33
Loan and savings banks . .	33·9	46	38·6	49	40·0	54	40·8	51
All credit institutions . . .	134·6	64	151·6	64	74·7	36	84·4	36

The credit institutions have utilized the increase of their resources (increased by 27 million lats) mainly for augmenting their loan operations by $17^1/_2$ million lats, i. e., approximately the same amount as in the preceding year. There is also a slight increase of the stocks of foreign currency and of cash in hand. Furthermore, fresh resources have been invested in real property, the value of which represents $8^1/_2{}^0/_0$ of the total resources in use by the credit institutions.

The table given below portrays the aggregate balance sheets of the various categories of credit institutions. Owing to the elimination of certain items from the balances of joint-stock banks, and the liquidation of the Latvian Merchants Bank, the aggregate balance sheet of these enterprises has practically not increased at all, though the movement of certain items testify to a certain development of activities. Both the resources and the credits of these banks have increased. The increase of activity is particularly noticeable in the Exchange and Town Banks, in the communal savings banks and in mutual credit societies. The slowest progress is registered in loan and savings banks, consequent on the liquidation of some of these institutions and the losses sustained by others of this category.

Balance of Private Credit Institutions 1st January.

Assets (lats, in millions).

Accounts	Joint-Stock Banks		Exchange & Town Banks		Communal Savings Banks		Mutual Credit Societies		Loan & Savings Banks	
	1928	1929	1928	1929	1928	1929	1928	1929	1928	1929
Cash	2·7	3·8	0·7	0·6	0·0	0·1	0·6	1·0	1·2	1·3
Current accounts in the Latv. Banka	1·5	2·1	1·0	0·1	0·1	0·1	0·5	0·7	0·9	0·8
„ „ „ other cred. inst.	1·1	1·3	0·0	0·0	0·3	0·3	0·4	0·5	2·4	2·0
Foreign currency	3·8	5·8	1·0	1·2	0·0	0·1	0·1	0·1	0·0	0·0
Bonds	2·6	3·0	0·1	0·3	0·0	0·0	0·3	0·7	0·7	0·7
Discounted bills	31·8	36·9	6·5	8·1	1·3	1·8	15·9	18·1	21·5	23·0
Loans	4·0	2·0	1·5	2·6	0·6	0·8	1·5	1·7	43·6	45·8
Special current accounts	54·8	55·7	2·6	5·0	0·4	0·6	3·1	3·9	1·6	1·9
Commercial credits	2·4	2·7	0·1	—	—	—	0·0	0·0	—	—
Correspondents	16·0	16·5	2·5	3·6	0·1	0·2	0·3	0·5	0·3	0·2
Protested bills	0·5	0·3	0·0	0·0	0·0	0·0	0·3	0·3	0·1	1·2
Real property	8·2	9·6	1·0	1·0	0·3	0·3	3·5	3·9	3·3	5·0
Current expenditure	3·2	3·1	0·5	0·6	0·0	0·1	1·0	1·0	5·8	5·7
Sundries	23·5	14·4	3·0	3·0	0·2	0·2	2·5	2·9		
	156·1	157·2	20·5	26·1	3·3	4·6	30·0	35·3	82·4	87·6

Liabilities (lats, in millions).

Accounts	Joint-Stock Banks		Exchange & Town Banks		Communal Savings Banks		Mutual Credit Societies		Loan & Savings Banks	
	1928	1929	1928	1929	1928	1929	1928	1929	1928	1929
Capital	29·8	30·1	2·4	2·4	0·3	0·3	2·7	3·4	9·3	10·3
Reserve fund & special reserve	1·7	1·5	0·3	0·4	0·0	0·0	2·3	2·3	2·8	4·1
Fixed deposits	2·9	2·9	0·8	1·1	0·5	0·8	1·9	2·4	5·6	4·8
Net demand deposits	1·1	1·1	0·2	0·2	1·2	1·7	1·2	1·2	7·5	10·1
Current accounts	36·4	41·1	7·6	9·1	0·5	0·6	6·9	10·4	8·7	9·3
Re-discount in the Latvijas Banka	9·4	11·7	2·7	3·7	0·5	0·5	7·0	7·3	19·8	20·3
„ „ other credit instit.	5·3	7·4	—	0·2	0·0	0·0	0·1	0·1	1·7	1·6
Loans & spec. current accounts	6·0	8·2	1·0	2·1	0·1	0·1	2·6	2·3	18·5	18·9
Correspondents	25·4	22·1	3·0	3·4	0·0	0·0	0·9	1·4	—	0·2
Interest & commission	7·3	8·3	1·4	2·0	0·1	0·4	2·4	2·7	8·5	8·0
Sundries	30·8	22·8	1·1	1·5	0·1	0·2	2·0	1·8		
	156·1	157·2	20·5	26·1	3·3	4·6	30·0	35·3	82·4	87·6

Agriculture.

The past year was an exceptionally unfavourable one for Latvian agriculture. Consequently, the farmers sustained heavy losses, and new State credits and subsidies were necessary to enable them to carry on. At present, there is no longer any doubt that our farmers will overcome these difficulties as successfully as in previous years.

The aggregate cultivated area decreased last year by 128,000 hectares or by 12·2%, and totalled 929,900 hectares. Climatic conditions were normal during the sowing of winter corn. Therefore, the area of winter seed increased, that of wheat by even 13%. Summer seed accounted for the subsequent decrease. The area cultivated with cereals, rye and wheat excepted, declined by 137,700 hectares or by 18·5%, and totalled 605,800 ha.

The Cultivated Area
(ha, in thousands).

	Bread corn			Other corn					Potatoes	Flax
	Rye	Wheat	Total	Barley	Oats	Mixt corn	Peas	Total		
1909—1913 . . .	350·7	32·6	383·3	191·0	305·9	—	23·3	520·2	79·6	69·6
1920—1922 . . .	219·9	20·9	240·8	142·2	246·9	47·0	26·9	463·0	59·0	43·1
1923—1925 . . .	266·4	44·6	311·0	178·0	324·4	69·5	38·1	610·0	77·8	65·0
1926 . . .	251·3	49·5	300·8	190·3	320·8	66·2	38·2	615·5	82·1	63·8
1927 . . .	256·3	58·7	315·0	185·3	305·2	67·7	36·6	594·8	85·5	63·2
1928 . . .	257·6	66·5	324·1	146·3	238·6	73·9	30·1	458·8	78·3	68·7
In percentage 1909—1913 = 100.										
1920—1922 . . .	62·7	64·4	62·8	74·5	80·7	—	115·4	89·0	74·1	49·0
1923—1925 . . .	75·9	136·8	81·2	93·1	106·0	—	163·5	117·2	97·7	93·3
1926 . . .	71·6	151·8	78·5	99·7	104·9	—	163·9	118·3	103·1	91·6
1927 . . .	73·0	180·0	82·1	97·0	99·8	—	157·1	114·4	107·4	90·8
1928 . . .	73·5	240·0	84·6	76·6	78·0	—	192·2	88·2	98·4	98·7

On the whole, the cultivated area did not decrease to such an extent as was assumed during the sowing period. It seemed then that it would hardly be possible to sow summer seed at all, or, in the best case, only in some districts which had suffered less from excessive moisture. However, the farmers hoped that climatic conditions would improve with a long and warm autumn after the cool, damp summer. Therefore, they ran the risk of losing seed by sowing in the middle of summer. For this reason, despite the disastrous conditions of the past year, the entire cultivated area diminished by only 12%, though it must be admitted that the yield decreased a good deal more. Only well organized farms could overcome such adverse conditions. This was proved last year in the case

of farms with ameliorated fields. For the latter were in no wise affected by the heavy rainfall, except during the harvesting period. The non-ameliorated fields, on the other hand, presented considerably diminished returns. Last year's harvest was the worst ever registered in Latvia since the war.

The harvest of winter cereals was better than that of summer seed, having decreased by only 8 to 10%, as against the pre-war norm. The harvest of summer cereals decreased by 37 to 58·4%, compared with this norm. Oats are not included in these comparative data, as the harvest of this commodity has been very small since 1927. It increased last year, but is still 33% below the pre-war level.

The cultivated area and the yield per hectare are the two factors determining the aggregate yield of produce. Both of these decreased last year. Consequently, the yield of produce declined perceptibly.

The Yield of Produce
(tons, in thousands).

	Bread corn			Other corn					Potatoes	Flax	Linseed
	Rye	Wheat	Total	Barley	Oats	Mixt corn	Peas	Total			
1909—1913	325·4	38·5	363·9	172·8	279·0	—	17·9	469·7	638·5	30·2	25·4
1920—1922	180·7	19·3	200·1	118·5	207·1	44·3	23·8	393·7	574·6	13·5	13·6
1923—1925	262·7	48·9	311·6	156·9	271·0	68·4	31·8	528·1	668·2	25·1	23·0
1926	155·4	50·6	206·0	188·6	275·9	68·0	34·9	567·4	1013·5	25·3	24·7
1927	258·8	71·7	330·7	130·1	177·2	57·1	26·5	390·9	717·4	18·6	16·6
1928	214·9	68·1	273·0	71·3	145·7	47·7	14·5	279·2	314·0	10·4	14·6
In percentage 1909—1913 = 100.											
1920—1922	55·5	50·1	54·5	68·5	74·2	—	132·9	83·8	89·9	44·7	53·5
1923—1925	80·7	127·0	85·6	90·7	97·1	—	177·6	112·4	104·6	83·1	90·5
1926	47·8	131·4	56·6	109·1	98·8	—	194·9	120·8	158·7	83·7	97·2
1927	79·5	186·2	90·8	75·2	63·5	—	148·0	83·2	122·3	61·5	65·3
1928	66·0	176·9	75·0	41·3	52·2	—	81·0	59·4	49·1	34·4	57·5

The yield of agricultural produce reveals clearly farmers' hardships. The harvest of bread corn, without having reached the pre-war level in 1927, decreased in 1928 by 57,700 to 273,000 tons. This represents only three-fourths of the average yield in the period 1909—1913. Particularly unsatisfactory is the yield of rye, which does not exceed two-thirds of the pre-war crop, while that of wheat is actually larger than before the war. The cultivation of wheat is profitable to farmers owing to the comparatively high import duty. The returns of the other cereals have decreased more perceptibly. Their aggregate yield was 567,400 tons in 1926, 390,000 tons in 1927, but declined still further to 279,200 tons last year. In fact, last year's yield was only 59·4% of the pre-war volume. The area under potatoes and flax last year was nearly equal to the average pre-war area; but the yield of both decreased considerably, that of potatoes being only one-half,

and that of flax only one-third of the pre-war yield. The harvest of linseed was also not much better. Last year's returns were so poor that the farmers did not even raise the quantity of seed required, and the quality of the seed gained was often unsuitable for sowing purposes. Some difficulty was also occasioned by potatoes having suffered from frost even in well constructed cellars.

The value of last year's yield showed a decrease of 27·8 million lats or 10·2%, and amounted to 245·8 million lats. The prices of all cereals were high in the autumn of the past year. Therefore, the monetary value of the crop was large. But such high prices are profitable only to such farmers as have something to sell, while the situation of those who are obliged to buy is all the more precarious in such conditions. Unfortunately, prices increased most in respect of cereals with the most scanty yield.

The sub-normal yield of agricultural produce necessitated a large import of corn from abroad. Whereas in the year 1926, rye, wheat, barley and oats were imported for the sum of 27·9 million lats, and in 1927 for 34 millions, the import of these commodities involved a sum of 46·5 million lats in 1928. Also in the current year, in the first half at least, pending the collecting of the new harvest, the import of corn will greatly exceed that of former years. This import will be necessary not only for sowing purposes, but also for food and fodder. The unsatisfactory harvest led to an increase not only of the import of corn, but also of other foodstuffs and even delicacies. The import of such foodstuffs as rice, herrings etc., has increased perceptibly. The aggregate import of foodstuffs and delicacies increased in 1928 by 25 million lats or by 35·7%, and totalled 95 million lats. Of the home grown produce only flax is exported in large quantities, ranking third in our export list. Flax prices were rather high in 1928, so that though the export quantity decreased, the aggregate value was nearly the same as in the preceding year. As flax prices are not expected to decline in the near future, this article continues to figure prominently in our export list.

A law governing the corn trade in Latvia was enforced in the year 1927. Though it did not render any important results in the first year of its enforcement, the measure was doubtless the right one for regulating the local trade in corn. It is obvious that farmers may obtain the highest possible prices for their corn, only if the buyers are agreeable, being themselves satisfied with a normal margin of profit. The Government credits organizations participating in the adjusting of the corn market, on the condition that they achieve a fourfold turnover of the credit granted, and that their profit should not exceed 5%. The process of adjusting the corn market was continued last year. The Government itself buys large quantities of corn: the Ministry of Agriculture for sowing, and the Intendancy, — for Army requirements. Thus, this admirable effort was continued last year, so that farmers were no longer exposed to heavy losses from the fluctuation of prices.

As the fields had been converted into marshes by heavy showers, and the meadows were all under water, they could not even be used as pastures. Therefore, in spring, when there was the usual lack of fodder (hay, straw and clover) and farmers had to pasture their cattle, many farmers were obliged to liquidate

their stock. The Government permitted the pasturing of cattle in State forests, but even this was of little avail. In such adverse circumstances, it was not surprising that by the middle of last year (July 1) the number of horses had decreased by 4500 to 365,200, that of horned cattle by 6000 to 960,000, and sheep by 37,100 to 1,090,400. Although in point of quantity, the supply of hay and clover was not poor last year, yet in respect of quality, the fodder was poor, having suffered from excessive moisture during growth and harvesting. Winter and summer corn also rendered less straw than in previous years. The question of fodder was therefore one of the most difficult for farmers to solve. Consequently, they had to liquidate a further portion of their stock in the second half of the past year. The Government promoted the buying of fodder, so as to enable farmers to save their livestock. And a law was passed last year to protect buyers against inferior and injurious fodder.

The export of meat declined rapidly last year. Although, in recent years, farmers began to pay greater attention to the producing of bacon, which led to an increase in the number of pigs, the quantity and the value of bacon exported last year declined. And an increase of this export may hardly be expected this season, owing to the exorbitant price of fodder. In connection with the decrease of bacon exports, and in order to ensure uniform quality, it is suggested to pay premiums to producers of bacon and to subsidize the leading breeders. The export of cattle (especially horned) increased last year, partly owing to the prevailing lack of fodder and partly on account of the commercial treaty with the Soviet Union, by which the latter undertakes to buy a certain number of horned cattle in Latvia.

The yield of fruit and berries was smaller and their quality worse last year. It was even necessary during the season to import these goods from abroad to cope with the local demand. Consequently, the export of fruit and berries was entirely out of the question. In fact, even in comparatively rich years, the export of fruit is generally small. Only a small quantity of berries was exported last year.

Whereas in other branches of agriculture there was an obvious decline last year, in respect of yield and proceeds, the situation was entirely different in dairy farming. Last spring, it was feared that the export of butter would decrease, but this did not take place. In fact, the output and the export of this commodity actually increased. Although, in spring, the condition of the meadows was bad, still their area exceeded that of previous years. On the other hand, in regard to income, farmers were very badly off in spring and summer, and there seemed to be no hope of any improvement. It was obvious that dairying was the only source of revenue which could be developed despite the adverse conditions obtaining at the time. Therefore, already in spring and throughout the summer, farmers made the most rational use of their milk supplies. They often deprived themselves of milk to send large quantities to the co-operative dairies. The working up of milk in the dairies and the export of butter naturally increased. Except in December, the value of butter exported monthly in 1928 exceeded the corresponding figures of the preceding year, and the aggregate yearly export

increased by 2245 tons or by 17·2%, and totalled about 13,000 tons. The export of butter began to decline towards the close of the year. In December it was only a half of the preceding year's result. This was due to the perceptible decrease in the number of cattle, and principally to the lack of fodder and the inferior quality of available supplies. The Government cold stores were opened last year. They are equipped with the latest technical improvements and will facilitate the storing of export butter.

The wages of agricultural labourers decreased by 2 to 7·5% last year, but are still 80 to 100% above the pre-war level. In consequence of last year's subnormal harvest, farmers needed the help of the State. In the first place, they needed help to purchase fodder in the middle and the second half of the past year, so as to save their livestock from inevitable liquidation. Therefore, the Government granted loans to such farmers at low rates and on easy terms. However, it cannot be denied that this problem is still a very acute one, though the Government is doing its best to relieve the tension. Last December, an additional budget of 43·6 million lats was passed, in which loans and subsidies to agriculture were included as the principal items of expenditure. Subsidies are distributed to the extent of 25% of the market price of the fodder purchased. This facility is enjoyed by farmers and cattle breeders whose farms have suffered most. Thus, the farmers will no longer be obliged to liquidate their stock. The situation of farmers is particularly difficult in the districts which suffered most from the flood. In order to provide the population of such districts with work and income, the Government has organized the repairing of roads on a large scale. Farmers also experience great difficulty in paying their debts. Therefore, the credit institutions have renewed short term credits for them, though the rates are higher and conditions of payment less favourable than those of long term loans. A special law was therefore passed, authorizing the conversion of short term credits into long term loans, in mortgages of the State Land Bank, and this has been carried into effect to a large extent. It is also proposed to allow farmers certain facilities in the payment of the real estate tax. Small farms and those which suffered most from the bad harvest are to be released from this tax altogether, while others which sustained heavy losses will have to pay only a half of the tax. Great importance is also attached to supplying farmers with seed. Many farms derived but little benefit from last year's harvest and, in most cases, the dried seed is unsuitable for sowing. A sum of 13 million lats has been assigned for providing seed, and the leading co-operative and communal organizations are engaged in this work. Thus the Government is doing the utmost to alleviate farmers' difficulties.

Industry.

The bulk of our industrial output is consumed locally. The export of manufactured goods, though increasing from year to year, is still only a very small percentage of the aggregate value. With a view to promoting this export, Latvia concluded a commercial treaty with the Soviet Union, on the strength of which the latter country undertook to place orders in Latvia for the sum of 40·7 million lats, including manufactured goods for 38·2 million lats. In reality, however, the export of Latvian manufactures to the Soviet Union did not increase by more than 12 million lats in the past year. Much of the merchandise exported to the Soviet Union on the strength of the treaty cannot be manufactured entirely in Latvia. For example, certain parts of wagons, bicycles and other articles are imported. The import of manufactured goods increased last year by 19·5 mill. lats.

	Import	Export	Difference
	(lats, in millions)		
1923	106·2	12·2	94·0
1924	119·5	18·4	101·1
1925	132·4	25·2	107·2
1926	131·4	37·1	94·3
1927	113·8	40·3	73·5
1928	133·3	54·3	79·0

Most of the manufactured goods imported are consumed locally, though some of these imports could very well be manufactured here. In this connection, there is undoubtedly a wide scope for local industries. For the manufacture of goods for local requirements presents greater certainty and stability than catering for export requirements. It is gratifying to register, therefore, the success of the home industries in gradually dominating the local market.

Latvian industries developed along the same lines last year as in previous years. No new branches of any importance were founded. The following table portrays the development of industry in the years 1926 and 1927: (See next table.)

There has been a certain concentration of local industries during the past five years, though this process has not been so rapid as might have been desired. And though this may not be so clearly revealed in the increase of the average number of hands per enterprise, nonetheless this concentration is perceptible in the coordination of activities by certain branches of industry. In fact, such manufacturers' agreements exist in nine branches of local industry as, for example, among corn mills, wire and nail factories, brick kilns, match factories, yeast factories, breweries, tobacco and other factories. Conferences to this end have also taken place between the manufacturers of textiles and leather goods. These agreements relate principally to the question of credit. Of course, our manufacturers cannot contemplate such huge industrial combines as exist in the United States of America, Germany and other highly industrialized countries.

Branches of Industry	Number of enterprises		Number of workers		Value of output (lats, in millions)	
	1926	1927	1926	1927	1926	1927
I. Quarries	3	5	157	500	0·1	0·3
II. Ceramic industry, stone goods and adhesives	101	99	2,420	3,181	6·2	7·5
III. Metal and machine industry	275	285	8,408	8,603	28·4	28·6
IV. Chemical industry	97	93	3,433	3,975	34·8	43·3
V. Leather industry	53	47	965	881	13·2	11·8
VI. Textile industry	270	272	5,935	6,782	29·8	33·9
VII. Woodworking industry	272	293	10,061	11,525	40·3	61·7
VIII. Paper industry	29	29	2,397	2,438	15·2	14·3
IX. Polygraphic industry	115	125	2,735	2,498	12·1	12·9
X. Foodstuffs and delicacies	1,284	1,331	8,543	7,876	96·9	102·0
XI. Clothing workshops, shoe making and toilet articles	100	128	1,876	2,497	12·7	11·4
XII. Building	77	86	1,847	1,300	6·8	5·0
XIII. Gas, electricity and water-works	45	46	724	729	10·1	11·3
XIV. Hygiene	11	14	171	225	0·3	0·3
Total	2,732	2,853	49,672	53,010	306·9	344·3

The value of our industrial output increased last year by 37·4 million lats or by 12·2% to 344·3 millions. The increase of the value of output last year was larger than the increase of hands employed. This testifies to a greater productivity of labour. In the year 1927, the returns of our industrial enterprises constituted 66% of the level attained in 1910. In fact, our industrial output has not yet recovered two-thirds of the pre-war volume, the value of gold as compared with the prices of manufactured goods having decreased since then. As raw materials are also included in the value of goods produced, the actual increase of value is by so much smaller. In larger enterprises, employing over 50 persons, the average increase of value per head amounts to 3320 lats (3040 lats in 1926). And in the different branches of industry, this increase of value ranges between 1520 and 8000 lats.

The adoption of mechanical motive power is steadily increasing. In the year 1926, the utilized mechanical horsepower totalled 98,200, but rose to 124,000 h. p., in the course of the year. There is a steady increase in the application of electrical energy, the horsepower of electro-motors in operation last year having increased by 7000, totalling 45,900 h. p. The horsepower of dynamo-machines and electro-generators operating in the various electric stations increased from 45,700 to 71,900. Our industrial enterprises are also endeavouring to adopt as quickly as possible the more modern means of mechanical motive power, viz., electricity instead of steam engines and water turbines. This tendency was particularly noticeable during the past year. Modern machines with all technical improvements are being acquired to replace the old plant which was evacuated to Russia during the war. This naturally facilitates production, improving the quality of the goods at a lower and more competitive cost.

It would doubtless be very desirable to commence without delay the construction of the large hydro-electric power station at Dole, with the help of a foreign loan. In the first place, this undertaking would operate more rationally than the smaller electric power stations; secondly, it would supply local industries with cheaper motive power and augment their competitive ability, and thirdly, it would obviate the necessity of importing large quantities of foreign coal, which involves the expenditure of so much foreign currency year by year.

There is practically no **mining industry** in Latvia. Our subterranean resources comprise chiefly peat, chalk, gypsum, various kinds of loam etc. Their exploitation for industrial purposes is not extensive, and the number of hands employed in this branch does not exceed 1% of the aggregate number of hands engaged in local industry. It cannot be denied, however, that our subterranean resources are being exploited to an ever increasing extent year by year.

Ceramic industry, stone goods and adhesives. Producing as it does a variety of articles for local requirements, this branch of industry is progressing satisfactorily, though the fact remains that the import of products of the mineral industry still involves very large sums, and this import is continuously increasing. The local glass industry employs the largest number of hands in this particular branch. In fact, since the crisis experienced in the year 1926, there has been a rapid increase of the number of hands employed. Bottles and other glassware are the principal articles manufactured, and their output last year was double that of the preceding year. The brick kilns suffered in consequence of the disastrous flood, and the export of bricks decreased in the face of keen competition in the Finnish market. The pottery and porcelain branch produces goods of excellent quality for local requirements, but exports very little. The import of porcelain and common chinaware is considerable. Obviously, therefore, there is much scope for further development in this branch of local industry. The cement factories worked less briskly last years. The import of cement was also less than in the preceding year. The export of gypsum is increasing from year to year, especially to Finland and Sweden.

Metal and Machine Industry. This branch is increasing its output not only for local requirements but, lately, also for export. The value of imported metal goods is very considerable, having involved a sum of 26 million lats last year, as against 24·6 millions the year before. These imports include certain articles which can be manufactured on the spot. Therefore, in competing with these foreign goods, the local metal industry will doubtless be able to develop its activities at their expense. According to the Treaty with the Soviet Union, the latter undertakes to place orders with our machine factories (for wagons, bicycles, agricultural machines, iron and steel goods) for 19·5 million lats. But in the first year, such orders were received for 14·1 million lats only, and the export of metal goods increased by 1·8 million lats only, while that of half-manufactured goods increased by 2·6 millions. Before the war, our metal industry worked

principally for the Russian market. At present, the value of goods exported to the Soviet Union is very small, despite the commercial treaty.

Railway workshops and wagon repairing factories employ the largest number of hands, followed by machine factories, repair-shops and factories producing metal goods. This branch produces chiefly such machines as are necessary for local agriculture and industry. Though the export of agricultural and industrial machines renders considerable sums, the import of machines exceeds the export by far. Several enterprises are engaged in repairing ships and manufacturing shipping machinery. In previous years there was only one wagon factory in operation. However, consequent on the receipt of Soviet orders for wagons, spare parts and the like for 14·3 million lats (on the strength of the commercial treaty), a certain revival may be expected in this branch of local industry. This revival did not take place last year, as the wagon factories had not yet received the promised orders. Good progress is registered in the manufacture of telegraph, telephone and radio apparatus, electrical implements and galvanoplastic articles, though the import of such articles is still large.

Among the other sections of the metal industry, mention may be made of factories producing hardware, scales, etc. Repair-workshops, especially for automobiles and bicycles, have increased their activities. The manufacture of nails has made rapid progress since the war, and these factories even produce for export, besides covering the local demand. The export of wire was larger last year, and that of nails also increased a little. With a view to regulating the local market, manufacturers and merchants have come to an understanding regarding output and prices. The customs duty on certain articles, which are being manufactured successfully on the spot, was increased last year in the interests of our metal industry. The remunerativeness of the metal industry is relatively low. Only the enterprises which have been organized since the war render a normal margin of profit.

Chemical Industry. Conditions are favourable to the development of our chemical industry. The conveyance of raw materials by waterway is expeditious and cheap. And there are numerous workers and engineers on the spot whose experience dates back to pre-war times. The only really weak point in this branch, as in all branches of local industry, is the limited amount of capital available. Particularly the chemical industry of to-day requires extensive capital for organizing large enterprises which are able to hold their own in the face of keen competition. Notwithstanding this insufficiency of capital, our chemical industry is developing successful activity. Foreign capital is invested mostly in this branch of local industry. The export of its products figures prominently in our foreign trade, representing nearly one-half of the aggregate export of manufactured goods (25·8 million lats). The export of chemical products increased rapidly in recent years.

The rubber and linoleum industries are the most important of this branch, employing the largest number of hands. They also increased their activities last year. One of the rubber factories employs 1260 hands, and is the biggest enterprise in this country. Three rubber factories, producing chiefly galoshes, cope

with the entire inland demand and export their products for 15 million lats yearly. The rubber factories in Latvia are organized to satisfy actual technical requirements. Both in regard to quality and price, Latvian rubber goods compete successfully with foreign articles. There is only one factory producing linoleum, and the export of this article increased last year.

The match industry underwent marked changes last year. For several years, the export of matches had been declining. The match industry was forced to compete with an exceedingly powerful adversary, to wit the Swedish Match Syndicate. It became obvious that a means would have to be devised to stabilize conditions in the match industry and help it to recover the full extent of its working power. This means was found in an agreement concluded with the Swedish Syndicate, whereby the latter acquires all Latvian match factories and splint factories, and the Government undertakes not to allow the opening of any new factories in this branch for the duration of 35 years. A special commission with a Latvian majority determines the price of matches. The export shall not be under 800 million boxes of matches and 6000 tons of splint per annum. In consideration of the agreement reached, the Swedish Match Syndicate procures for the Latvian Government a loan of 6 million dollars.

Superphosphate is produced by one factory only, which commenced work in 1927 and has made great progress since. A large portion of its output is exported, but this factory can develop its activities in supplying the local market, for the import of superphosphate has not yet ceased. The working up of naphtha products increased last year, though the import duty on petrol, kerosene etc., was lowered. The output of petrol and gudron (of mazout) decreased slightly, while that of kerosene, lubricating oil and other special oils for export increased perceptibly. Of our eight dye factories, one exports white lead, and another — ultramarine, the others producing goods chiefly for the local market. The export of bone-dust and bone-glue was practically the same as in the preceding year. Two factories are working for export. Glue is exported principally to Great Britain and Germany, and bone-dust to Holland. Consequent on last year's bad harvest and the resultant lack of fodder, the output of oilcake increased by 25—33%. The export of this commodity decreased by more than a half, while its import, though insignificant formerly, grew markedly. Our oilcake factories would doubtless be able to augment their activities, if they had more capital. The largest enterprise of this branch is producing not more than 25% of its maximum capacity. The other chemical factories are working mostly for local requirements, especially soap and candle factories and cosmetic laboratories. Great progress is also registered in the manufacture of varnish, some of which is exported to the neighbouring countries.

Textile Industry. Great progress has been made in this branch in recent years. The number of hands employed is increasing steadily, and the goods produced compete favourably with foreign products. This branch has excellent prospects, as textiles are still being imported for over 50 million lats yearly. It is significant that parallel to the satisfactory development of our textile industry, the import of

textiles is increasing. This import is enhanced by the fact that the foreign suppliers accomodate local buyers with longer credit than our manufacturers are able to grant. The result is that the consumer grows accustomed to foreign goods and pays no attention to inland products. Lately, however, there has been a marked tendency on consumers' part to buy goods of Latvian origin and, in the course of time, we may be sure that only high quality tissue (e. g., English goods) and certain special articles of foreign origin will find their way into this country.

The wool weaving mills and spinning mills employ the largest number of hands. This number even increased during the past year, whereby the output of the larger enterprises was augmented by 25—40%. Besides the large undertakings situated in Riga, there are in Latvia over 100 wool spinning and weaving mills engaged in working up the wool supplied by farmers. The larger factories produce various kinds of tissue. Production is better organized than before the war, and some factories produce materials of a quality very near to that of English goods. The flax industry is progressing satisfactorily, having a natural foundation in this country, as flax is grown here largely and even exported from Latvia as raw material. The working up of flax has not yet attained the highest extent possible. Mostly yarn is produced for export, while tissue is manufactured to a small extent only. The next objective of our flax industry is to produce the various kinds of tissue necessary for the local market, so as to obviate the necessity of importing the same. The returns of the cotton industry have increased by 33—50%, but the import of cotton tissue has also increased.

Woodworking Industry. This is the largest branch of local industry in respect of the number of hands employed. This number increased last year as well. Most of the woodworking enterprises are sawmills only. And most of the materials prepared by these undertakings are exported. Prices were profitable and the tendency of the timber market was favourable last year. Timber materials were exported for 93 million lats. Furthermore, large quantities of transit timber were worked up and elaborated in Latvia. Market conditions were also favourable to the veneer factories last year, and the value of veneer exported increased threefold. Boxboards were also exported for a large sum. The future development of our veneer industry is limited to a certain extent, as the forests will hardly be able to supply much more foliferous material, as is necessary in the veneer industry, than at present. The other branches of our woodworking industry, excepting factories producing match-splint, produce goods principally for the local market. In this connection, a special importance attaches to the factories producing furniture, corks and barrels. Established since the war, these enterprises have been making rapid progress. Many large furniture factories have evolved out of small workshops. These factories are fitted with modern machinery and turn out high grade furniture.

Foodstuffs and Delicacies. This branch presents the largest number of enterprises. For the most part, these enterprises are located in the country and are engaged in working up agricultural produce. Corn mills rank foremost (driven

more by water-power than by steam, motors etc). In many cases, corn mills are combined with wool spinning or weaving mills and sawmills. There are not less than 700 mills in operation (windmills not included), which number is well able to cope with the requirements of the entire local population. In general, the products of the rural mills are consumed by farmers on the spot. But apart from the rural mills, there is a small number of town mills in operation. The latter are of great importance in regulating the trade in corn and flour. The town mills have concluded an agreement regarding trade in flour, settling inter alia the question of crediting bakeries.

The number of hands employed in the working up of milk products is not very large, but the value of their output is high, and practically the entire output is exported. Butter continues to figure prominently in our export list. Latvian tinned fish and meat products also stand in good repute abroad.

The technical equipment of Latvian distilleries is good, and they ought to be able to produce spirit not only for local requirements but also for export. Nevertheless, our distilleries are actually out of work, and we import spirit from other countries, because it is cheaper to do so. This is due to the fact that the requisite raw material (i. e., potatoes), is dearer here than abroad. Moreover, the cost of labour has increased since the war, while the production of potatoes has continued primitive in this country, the adoption of machines being a rarity. The output of liqueurs has been declining steadily for several years, but there is a revival of activities in the factories producing fruit-wines as also in the breweries, a new law having been passed which facilitates the consumption of beer and fruit-wines. The tobacco and cigarette factories are developing continuously, as in previous years, and there is a marked increase in the working up of inland tobacco. Last year the tobacco factories and dealers came to an agreement regarding credits and other questions. The sugar factory was unable to develop its activities as briskly as had been expected, as the growers of beet have their fields in the region of the river Lielupe, which suffered heavily from the flood. To make up for the deficiency of beetroot, raw sugar is being worked up to a large extent this season. The other factories of this industry, as bakeries, maccaroni, biscuits, chocolate, sweetmeat etc., are progressing normally, without catering for export requirements.

Other Branches of Industry. The Latvian leather industry has been considerably modernized lately. It now produces leather of higher grades, and will soon be able to cope with the entire local demand. It works up inland hides and skins, importing only such kinds as are not available here. The import of leather is still larger than its export. The import of hides and skins, and the export of leather increased last year. For the most part, Latvian leather is exported to the Soviet Union. The paper industry turns out chiefly paper and cellulose, the export of which is increasing steadily. The export of cardboard is also increasing. The other branches of industry are not engaged directly in producing goods. These are, for example, the polygraphic industry, building, road-making, electric stations, gas works and so forth.

Our industries may develop more on the lines of local consumption than in the direction of export. Home consumption is not affected by artificial obstacles of any kind, and is therefore surer. Foreign markets, on the other hand, are very unsteady. Apart from having to compete with foreign manufacturers in foreign markets, we have to reckon with the fact that every country is bent on creating or enlarging its own industries. This leads to increased customs duties and other import restrictions.

With a view to drawing consumers' attention to the country's own production and removing unwarranted prejudice, a propaganda week for Latvian products was organized by the Government at the beginning of this year. Manufacturers, merchants and the Press took an active part in this work and the propaganda was not devoid of effect on consumers.

Trade in general.

No changes of any importance were registered in our inland trade during the past year, as compared with previous years. The extraordinarily adverse conditions in the past year diminished the commercial returns of our agricultural produce, while the returns of imported foodstuffs increased. In consequence of inadequate organization many of the enterprises established in the first post-war years got into difficulties and were liquidated prior to the year 1928. Last year there remained in existence practically only such enterprises as were established upon sound bases. Consequently, the latter enterprises presented no perceptible changes or decrease of activities.

A new customs tariff with differential import rates (maximum and minimum) came into force last year. The maximum rates are applicable to the products of countries which have not yet concluded treaties of commerce with Latvia, while the minimum rates are applied entirely or partly to the products of countries which have such treaties with Latvia. In connection with the enforcement of the new customs tariff, the question of concluding commercial treaties with the neighbouring States and other countries became urgent. New treaties were concluded or came into force last year with Japan, Poland, Estonia, the United States of America, Turkey, Bulgaria and Serbia. Furthermore, a law was passed determining the application of minimal customs duty to Lithuanian goods, pending the conclusion of a formal treaty of commerce with that country. Such a treaty was concluded and ratified by the Saeima (Parliament) at the beginning of the current year. Altogether, commercial treaties have been concluded with 23 countries so far.

The Balance of Trade.

The past year began with an active balance of trade, and it seemed that our foreign trade would continue developing in that direction. The predominance of export was particularly noticeable in February, when large parcels of flax were sold. But since the revival of shipping in March and April, the balance of trade became passive. In the summer months, during the butter export season, the passiveness decreased; but in September and, especially, during the last three months of the year, the passiveness was very large, ranging between 8·3 and 9·3 million lats per month. Finally, the past year was closed with a preponderance of import over export to the extent of 49·4 million lats. In comparison with the preceding year, the balance of trade was worse by over 20 million lats. But compared with the years 1924—1926, the past year was not so bad.

	Import	Export	± Difference
	(lats, in millions)		
1924	255·9	169·6	— 86·3
1925	280·6	179·6	— 101·0
1926	260·3	188·5	— 71·8
1927	250·0	221·2	— 28·7
1928	308·1	258·7	— 49·4

Although the agricultural output decreased, the export increased by 37·5 million lats. The increase of import is due chiefly to the bad harvest, but the increase of export testifies to the undaunted energy and productivity of our people, despite the difficulties of the past year. The aggregate turnover of our foreign trade (import and export together) increased by 95·6 million lats and attained 566·8 millions last year, which is a record figure surpassing the turnovers of previous years.

Import.

	1925	1926	1927	1928	1925	1926	1927	1928
	(lats, in millions)				(percentage)			
Raw mater. and half-manuf. goods	65·7	59·5	63·2	77·3	23·4	22·8	25·3	25·1
Manufactured goods	132·4	131·4	113·8	133·3	47·2	50·5	45·5	43·3
Foodstuffs and delicacies	77·7	64·6	70·0	94·9	27·7	24·8	28·0	30·8
Livestock	3·9	4·1	2·1	1·1	1·4	1·6	0·9	0·4
Precious metals and jewellery .	0·9	0·7	0·8	1·4	0·3	0·3	0·3	0·4
Total . . .	280·6	260·3	249·9	308·0	100·0	100·0	100·0	100·0

On the whole, our imports developed along the same lines as in previous years, but owing to the past year's bad harvest and the shortage of foodstuffs, the import of the latter increased more rapidly than that of other goods. Consequently, the percentage of foodstuffs in our import trade increased perceptibly. Although the import of manufactured goods increased by 19·5 million lats last year, their percentage of the total import fell. Foodstuffs rank second. The import of raw materials and half-manufactured goods increased by 14·1 million lats.

Textiles rank foremost among the imports. Their value decreased during the two preceding years, but rose again last year, attaining almost the same extent as in 1925. In particular, the import of wool and other yarn for the requirements of our hosiery and textile industries increased. The import of rye and wheat increased during the year. The import of sugar was not affected by last year's subnormal harvest or by the activities of our sugar factory. In fact, it was as large as in the preceding year. The development of our industries led to a slight increase in the import of industrial machines. But the import of agricultural machines decreased. There was a marked increase of hide, skin and leather imports. The import of automobiles decreased.

Export.

	1925	1926	1927	1928	1925	1926	1927	1928
	(lats, in millions)				(percentage)			
Raw mater. and half-manuf. goods	112·6	102·0	128·2	144·3	62·6	54·1	58·0	55·8
Manufactured goods	25·2	37·1	40·2	54·3	14·1	19·7	18·2	21·0
Foodstuffs and delicacies	40·6	49·0	52·5	59·1	22·6	26·0	23·7	22·8
Livestock	0·5	0·2	0·2	1·0	0·3	0·1	0·1	0·4
Precious metals and jewellery .	0·7	0·2	0·1	0·1	0·4	0·1	0·0	0·0
Total . . .	179·6	188·5	221·2	258·8	100·0	100·0	100·0	100·0

More than a half of the exports consists of raw materials and half-manufactured goods. In the first years of the State's existence, they even constituted three-fourths of the total export. This percentage has decreased in the meantime, and did not exceed 55·8% of the total last year. Foodstuffs are the next largest group, representing 22·8% of the total. The export of foodstuffs was nearly equal to that of manufactured goods. The four principal export items, viz., timber materials, butter, flax and rubber goods, present altogether seven-tenths of the aggregate export value, to which their contribution increases year by year. The export of these four items rendered 186 million lats last year, which was 72% of the aggregate export value. The export of timber materials has been doubled during the past two years. The export of butter and rubber goods increased too last year, while that of flax decreased.

Commercial Relations with Different Countries.

Our balance of trade with most foreign countries is passive; for example, with Germany, Poland, the United States of America, Sweden, Czechoslovakia, Denmark, Estonia, Switzerland, Danzig, Austria, Italy etc. But our balance of trade with Great Britain, the Soviet Union, Belgium, Holland, France, Finland and some other countries is active. It is noteworthy that the trade returns with Germany, Great Britain, the Soviet Union and Belgium represent two-thirds of the aggregate import and export, and together with Poland and Holland — three-fourths of the total.

Our trade with Germany is increasing steadily. This may be ascribed to the fact that Germany is the nearest great industrial country to Latvia. Traffic with Germany is brisk and speedy, and our relations with that country date back to pre-war times. However, it would undoubtedly be better if the mutual exchange of goods could be adjusted. There has been no such adjustment of import and export trade with Germany for many years past, and our balance of trade with that country has always been passive. The very extensive import from Germany is due, inter alia, to the fact that in order to promote its export, Germany accomodates our importers with credit, so that every solid enterprise here has the opportunity to receive German goods on credit. Our merchants receive all manner of merchandise from Germany on long and short term credit, embracing not only machinery, tissue, fancy goods etc., but also such overseas produce as corn and sugar. Some of the goods bought by our merchants in Germany are not of German origin, but belong to the category of transit goods, as corn, hides and skins, though of course the bulk of our imports from that country consists of German manufactures, as machines, chemical, electrical appliances, utensils etc. The list of goods exported to Germany is short, comprising Latvian butter, timber materials, rubber goods, flax and tow yarn etc. Butter constitutes two-thirds of our aggregate exports to Germany, which country takes 85% of our entire butter export.

Trade with Great Britain does not incline towards a constant increase. The import from Great Britain increased in recent years, but the export to that country

decreased last year. Whereas, in previous years, Great Britain was ahead of Germany in the purchasing of Latvian produce, both countries were on the same level last year. Our imports and exports in trade with Great Britain are not multifarious. Herrings, tissue, wool, cotton and sugar are prominent among the imports, while timber materials, flax, butter and bacon are the principal export items. The development of export is impeded by the lack of experience on the part of Latvian merchants and manufacturers as to how to handle the English market.

Trade with the Soviet Union takes the third place. Last year, this trade was influenced by the new treaty of commerce. In 1928 our export to the Soviet Union amounted to 23·5 million lats, and our import from that country — to 17·5 millions. Consequent on the special tariff reductions, the imports of sugar and naphtha products involved the largest sums. Altogether, goods enjoying special tariff privileges were imported for 10 million lats in the first year of the treaty's enforcement. Our export to the Soviet Union increased, embracing various goods which, formerly, did not even figure in our export list Russiawards, but now rendered several million lats. Among these goods, mention may be made of textiles (knitted goods), wire, agricultural machines and paper. The export of clover seed decreased, while that of linseed increased. Furthermore, the export to the Soviet Union comprised such articles as glassware, cellulose, linoleum, superphosphate and horned cattle.

The balance of trade with Belgium is satisfactory, being always active. Both import and export increased last year. Timber materials and flax constitute 95% of the aggregate export to Belgium. In fact, timber materials accounted for the entire increase of our exports to that country last year. Together with linseed, these three are practically the only items of export to that country. The export of manufactured goods is negligible.

Trade with Poland has increased perceptibly, though the balance of trade is passive. Coal, linseed, tissue and yarn are the principal import items, and rubber goods (galoshes) the principal export articles. The commercial treaty concluded with Poland at the beginning of this year will doubtless promote the development of trade with Poland, especially our exports to that country.

Holland figures prominently in our foreign trade, especially as a buyer of Latvian produce. Brisk economic relations have been established with Holland since the war, and Dutch capital is invested to a great extent in our enterprises. Holland is an important buyer of timber materials. The balance of trade is satisfactory.

The balance of trade with the United States of America has always been an adverse one. Last year in particular the import of corn increased as compared with the preceding year. Besides corn, we import cotton, machines, petroleum, petrol and other goods. We export hides and skins, furs, matches etc.

The trade returns with other countries are comparatively small.

Transit Traffic did not increase last year, but even decreased slightly, — by 37,000 tons or 4·6%, presenting a total volume of 819,000 tons. The diminished Polish transit caused this decrease. The transit from Germany increased, while that from Estonia and Lithuania declined. To a certain extent, the transit goods are elaborated and repacked in Latvia. For example, timber materials were

worked up to the extent of 142,500 tons. Hides and skins were specially treated and corn repacked in Latvia.

Transport. Last year the Saeima (Parliament) passed laws concerning the construction of new railway lines from Riga to Ērgļi-Domopole-Rēzekne-Krāslava; from Riga to Limbaži-Rūjiena and from Liepāja to Ziemupe-Pāvilosta-Alsunga. The construction of the Riga-Rūjiena line was commenced last year. It will be a narrow gauge line (750 mm) and will be completed in three years. The laying of the line from Glūda to Liepāja was continued, and traffic opened on the greater part of it. It is difficult to say whether it will be possible to construct the other projected lines in the near future. The total length of railway lines in operation has increased to 2710 km. Railway traffic, especially freight traffic, has increased, leading to a corresponding increase of railway revenue.

The commercial fleet increased more than in previous years and attained 132,800 gross tons by the end of the past year, thus surpassing the pre-war level of 127,000 tons. This increase is attributable to steamers only, as the number and tonnage of sailing vessels and motor-sailing craft are declining steadily. The investing of capital in Latvian shipping is profitable, as the exploiting of ships is very remunerative. There is a wide scope for further development, as only one-third of the traffic with Latvian ports is conducted by the Latvian fleet, the remainder being effected by foreign vessels. It is to be expected, therefore, that our commercial fleet will increase rapidly in the future.

Navigation in Latvian ports increased by 253,000 tons or by 14·4%, presenting a total of 2,015,000 tons, or nearly on a level with the average returns of the period 1905—1908. Timber materials were the principal export, and coal the principal import items. Freight traffic on internal waterways increased by 20%, to which increase inland goods contributed exclusively.

BRANCHES OF THE LATVIJAS BANKA IN LATVIA.

EXECUTING ALL BANKING OPERATIONS:

Cēsis (Wenden)	Manager	*M. Bērziņš.*
Daugavpils (Dvinsk) . . .	„	*V. Oglevics.*
Jelgava (Mitau)	„	*J. Lecis.*
Liepāja (Libau)	„	*A. Dumpe.*
Rēzekne (Rezhitsa) . . .	„	*J. Millers.*
Valmiera (Wolmar) . . .	„	*P. Kuplis.*
Ventspils (Windau) . . .	„	*A. Neretnieks.*

EXECUTING ALL INLAND BANKING OPERATIONS:

Bauska	Manager	*K. Broks.*
Kuldīga (Goldingen) . . .	„	*K. Pinkovskis.*
Tukums	„	*Kr. Vītols.*

OPERATIONS OF WHICH ARE LIMITED:

Aizpute (Hasenpoth) . . .	Manager	*A. Alļe.*
Alūksne (Marienburg) . .	„	*J. Ādlers.*
Balvi	„	*H. Priedītis.*
Jaunjelgava (Friedrichstadt)	„	*Ž. Fogelmanis.*
Jēkabpils (Jakobstadt) . .	„	*F. Skujskubris.*
Limbaži (Lemsal)	„	*K. Cīrulis.*
Ludza (Lutzin)	„	*P. Jumars.*
Madona	„	*P. Apsītis.*
Rūjiena	„	*V. Leimanis.*
Saldus (Frauenburg) . . .	„	*F. Gailis.*
Smiltene	„	*E. Apse.*
Talsi	„	*F. Grīnvalds.*
Valka	„	*J. Ķimins.*

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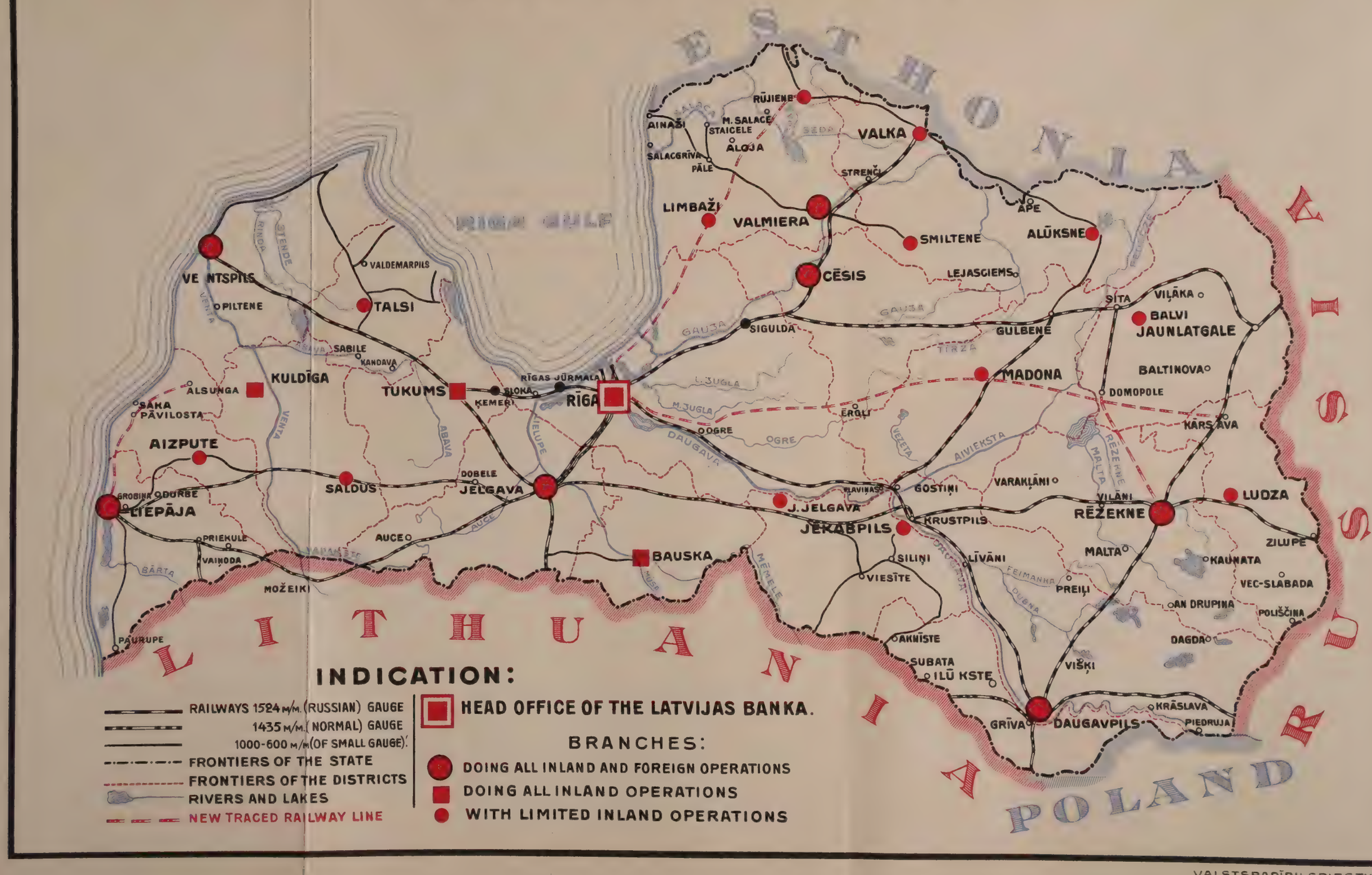
LATVIJAS BANKA

BANK OF LATVIA

1929

MAP OF LATVIA.



INDICATION:

- RAILWAYS 1524 m/m. (RUSSIAN) GAUGE
- 1435 m/m. (NORMAL) GAUGE
- 1000-600 m/m (OF SMALL GAUGE).
- FRONTIERS OF THE STATE
- FRONTIERS OF THE DISTRICTS
- RIVERS AND LAKES
- NEW TRACED RAILWAY LINE

- HEAD OFFICE OF THE LATVIJAS BANKA.

BRANCHES:

- DOING ALL INLAND AND FOREIGN OPERATIONS
- DOING ALL INLAND OPERATIONS
- WITH LIMITED INLAND OPERATIONS

VALSTS PAPĪRU SPIESTUVE.

LATVIJAS BANKA.
BANK OF LATVIA.

REPORT
FOR
1929.

1930.

PRINTED AT THE STATE PRINTING-OFFICE.

ADMINISTRATION OF THE LATVIJAS BANKA.

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ERNSTS BIRKHĀNS — University professor, formerly Member of the Saeima.
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PĒTERIS SIECENIEKS — Managing Director of the Central Cooperative Association "Konsums".
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STANISLAVS KAMBALA — *Director.*

LATVIJAS BANKA.

BANK OF LATVIA.

1929.

The operations of Latvijas Banka in the past year were conducted amidst variable conditions. The subnormal harvest of the preceding year had a marked influence upon conditions in the first halfyear, and the main objective of the State's credit policy was to save agriculture from an impending crisis. The circumstances became more favourable in the second halfyear, as the new harvest improved the situation of agriculture and there was a general return to normal conditions. But even at present, the influence of the failure of crops in 1928 is still felt.

The economic losses caused by the bad harvest of 1928 are revealed unmistakably in the balance of our foreign trade. For the purpose of investigation it is commendable to compare the last two periods of twelve months, beginning and ending on September 1, when the preceding year's harvest has been consumed and the new crop begins to enter the market. On inspection we find that the foreign trade of Latvia was adverse to the extent of 35·9 million lats only, in the period 1927—28, as against an adverse balance of 110·2 million lats in 1928—29. Thus, the passiveness of the trade returns increased more than threefold, and this was due principally to the augmented import and diminished export of agricultural produce.

In consequence of the subnormal harvest, it became necessary to import large quantities of grain from abroad, not only for food, but also for sowing purposes. Thus, the imports were stimulated to a high degree and, in the first half of 1929, goods were imported for 176 million lats, as against 130 millions in the corresponding period of the preceding year. The situation was aggravated by the fact that, far from developing parallel to the import, our export actually decreased considerably: from 120 to 100 million lats. This was due firstly to the abnormally cold winter and the resultant obstruction of navigation which impeded our export traffic, without affecting the more expensive import of goods by rail; and secondly, to the fact that the unfavourable conditions in the flax market prompted us to postpone the sale of our flax crop, which however we had to dispose of later at such low prices that the revenue from flax was perceptibly diminished.

After the new and comparatively good harvest had been gathered in, conditions became more favourable in the second half of the year. For although there was not a general decrease of imports, there was nevertheless an improvement inasmuch as the import of grain for immediate consumption diminished. At the same time, the export began to show a decidedly upward tendency, especially in regard to timber materials, flax, butter and various manufactured goods. Therefore, the trade returns for the second half of the past year were less adverse than

those of the first halfyear. But, owing to the enormous passiveness of the first halfyear, the final result of our foreign trade in the year 1929 was very unsatisfactory.

As was to be expected in the circumstances, the pronounced passiveness of foreign trade evoked a certain passiveness in the balance of payments. Of course, the latter was smaller, as (I) the balance of trade is always less adverse than the official calculation shows, and (2) the other items of the balance of payments generally render a certain surplus to the State, which surplus was augmented last year by the foreign loan obtained. As the balance of payments was very adverse in the first halfyear, the foreign currency reserves of Latvijas Banka decreased by 27 million lats. These reserves had already decreased by 14 million lats in the last quarter of 1928. The balance of payments improved perceptibly in the second half of the past year, when the equilibrium was practically recovered. Consequently, there was no further diminution of the Bank's stocks of foreign currency which, in the second half of the year, even increased by nearly 4 million lats. The foreign currency reserves decreased by 23 millions altogether last year, but the Bank's permanent stable reserves always covered the issue abundantly. Moreover, the Bank made but partial use of its right of issue.

The difficulties which confronted agriculture led to an extraordinary increase of indebtedness all over the country last year. From the particulars available so far, it is obvious that this increase of credits exceeds 100 million lats. In particular, the credits granted by Latvijas Banka increased by 16 million lats. New extensive State loans had to be granted so as to save agriculture from a general crisis. In the first place, the Government had to assist the farmers in the buying and distributing of seeds on credit until the next harvest, and, secondly, large sums were necessary for other forms of credit as well. If the Government had not increased the amount of these credits, our import would doubtless have been confined to narrower limits and the foreign currency reserves would not have decreased to such an extent. But our farmers would have been obliged to limit the sowing area and diminish their livestock, and this would have been detrimental to our agriculture in particular and to our economic progress in general. At present, however, as the most pressing needs have been fulfilled and as the undiminished import causes an adverse balance of trade and an undesirable efflux of foreign currency, the Latvijas Banka refrains from further increasing its credits, new credits being granted to a limited extent and, even then, for export purposes only.

The operations of Latvijas Banka presented a further increase last year, as is evident from the increased returns, which totalled:

3,824	million lats in	1927
4,429	„ „ „	1928
5,219	„ „ „	1929

The returns increased by 18% last year, as against 16% in the preceding year.

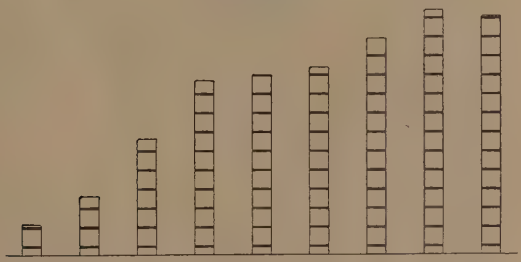
The Bank's balance sheet did not increase last year, but even decreased slightly after the transforming of certain items. The balance sheet amounted to:

227·7	million lats on	January	1, 1928
257·4	„ „ „	„	1, 1929
251·7	„ „ „	„	1, 1930

Thus, the balance sheet decreased by $2^1/_2$% last year, as against an increase of 13% in the preceding year.

The development of the Bank's balance sheets is portrayed in the table on page 8.

Balances.



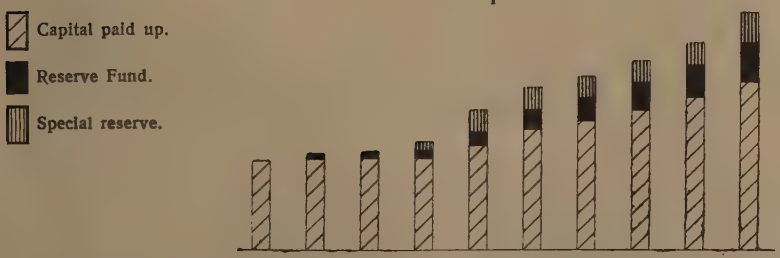
	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Lats, in millions:	32·3	61·7	122·0	183·3	189·3	196·9	227·7	257·4	251·7

The Bank's activities are progressing in proportion to the resources at its disposal, comprising the Bank's own capital, the issue of banknotes, various deposits, State sums and sundry items.

The Bank's capital increased last year by the addition of 35% of the net profit, in accordance with the Bank's Statutes:

Capital on January 1, 1929	Ls 21,172,010·—
Added in 1929	„ 2,000,290·31
Capital on December 31, 1929	Ls 23,172,300·31

Capital.



	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1930.
Lats, in millions:	10·1	10·9	11·2	12·2	15·7	18·2	19·5	21·2	23·2	26·6

Balance Sheets of the Latvijas Banka

(in thousands of lats).

The first line of each item shows the situation in 1928, the second — in 1929, the third — in 1930.

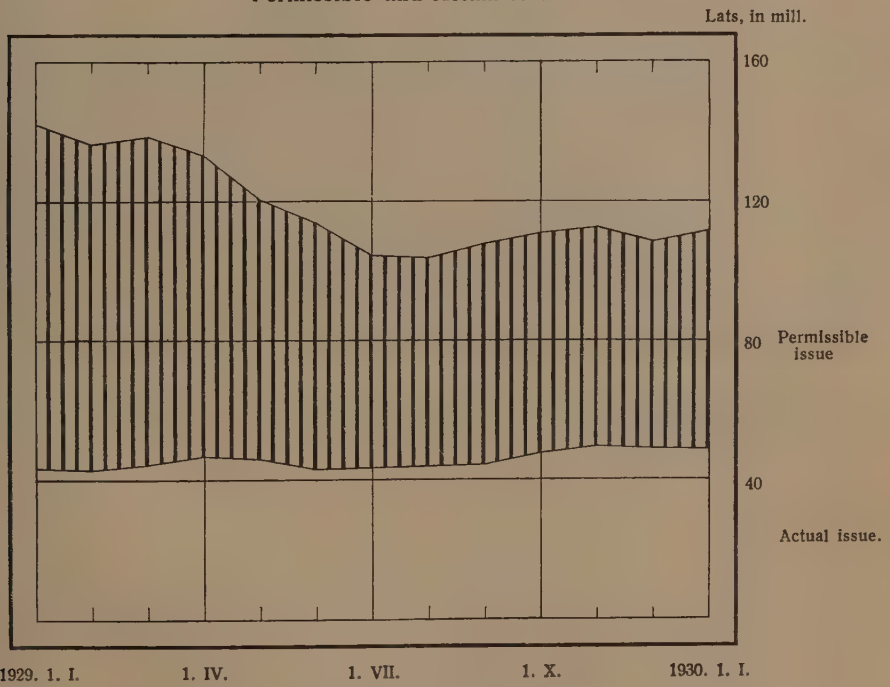
Accounts	1. I.	1. II.	1. III.	1. IV.	1. V.	1. VI.	1. VII.	1. VIII.	1. IX.	1. X.	1. XI.	1. XII.
ASSETS												
1. Gold	23680	23684	23691	23698	23707	23717	23726	23730	23733	23739	23744	23748
	23754	23766	23774	23813	23832	23848	23866	23881	23894	23903	23907	23916
	23933											
2. Foreign currency	49076	53011	61204	68790	74283	78068	78418	77850	83612	86126	84032	76718
	72466	68315	69941	66043	56309	51240	45640	45107	48096	49322	50207	47130
	49491											
3. Latvian State money	14230	16329	14474	15366	17785	18790	17933	16281	15675	15062	17158	21042
	15149	22483	18621	16189	18562	25605	23774	21600	18909	15692	18777	19990
	18446											
4. Bonds	2460	3082	3231	3330	3466	3370	3451	3645	4276	4402	4511	4457
	4800	4927	5066	6695	6793	6629	6707	6830	6897	7002	8061	7781
	8068											
5. Short term bills and drafts	80763	80288	80485	81695	82740	82026	83381	82940	84857	83986	84586	86276
	86742	84314	83266	85700	87456	88712	90833	89636	91581	92964	93458	94467
	94777											
6. Spec. curr. a/c. and loans	53106	51123	44094	44145	43236	42399	42298	42313	41996	41360	42318	42813
	45007	44921	47346	50583	56412	56934	58257	58743	57836	56426	55582	56146
	52935											
7. Current expenditure and interest	—	388	790	1186	1808	1933	2424	2851	3255	3769	4175	4622
	—	439	846	1275	1789	2156	2557	2992	3487	3911	4388	4821
	—											
8. Sundry assets	4346	3922	6726	10573	7255	7417	7096	6998	6766	6516	7148	7257
	9473	9140	9366	9287	12737	9078	9015	14735	18575	14098	8674	8090
	4092											
Total	227661	231827	234695	248783	254080	257720	258727	256608	264170	264990	267672	266933
	257391	258305	258226	259535	263890	264202	260649	263524	269275	263318	263054	262941
	251742											
LIABILITIES												
1. Capital	14385	14385	14385	14385	14385	15581	15581	15581	15581	15581	15581	15581
	15581	15581	15581	15581	15581	15581	15581	15581	15581	15581	17010	17010
	17010											
2. Reserve Fund	5112	5112	5112	5112	5112	5591	5591	5591	5591	5591	5591	5591
	5591	5591	5591	5591	5591	5591	5591	5591	5591	5591	6162	6162
	7162											
3. Notes in circulation	37346	37630	38750	39758	40243	40442	41289	41429	43417	45782	44540	43188
	43393	42589	44497	46680	45853	42981	43496	43952	45160	47421	49530	48521
	48464											
4. Deposits	10647	10898	11056	11301	11255	11705	12015	11663	11771	11990	12057	12054
	12372	12624	12641	12624	12861	13109	13215	13581	13695	14000	14138	14605
	15395											
5. Curr. a/c. and correspondents "Loro"	50470	52213	53343	48953	47817	53279	54044	54060	55285	58708	66262	60638
	60528	56048	64419	57456	55419	52903	53884	57654	60880	62220	60682	60426
	61206											
6. State sums	100499	99720	101437	117153	118678	120654	113946	115315	116790	110220	104168	107827
	108438	109870	101419	105643	112556	112679	105378	103286	105312	94688	94994	93255
	93718											
7. Interest and commission received	—	1189	1758	3444	4075	4736	6279	6932	7612	9066	9718	10455
	—	1143	1664	3317	3990	4862	6633	7455	7981	9759	10410	11146
	—											
8. Sundry liabilities	9202	10680	8854	8677	12515	5732	7042	6037	8123	8052	9755	11599
	11488	14859	12414	12643	12039	16496	16871	16424	15075	14058	10128	11816
	8787											
Total	227661	231827	234695	248783	254080	257720	258727	256608	264170	264990	267672	266933
	257391	258305	258226	259535	263890	264202	260649	263524	269275	263318	263054	262941
	251742											

The issue of banknotes in the past year was as follows:

Banknotes in circulation on January 1, 1929	Ls	43,392,990·—
Issued in 1929	„	24,615,820·—
	Ls	68,008,810·—
Withdrawn in 1929	„	19,545,065·—
Banknotes in circulation on January 1, 1930	Ls	48,463,745·—

The following diagram shows that last year's increase of issue was very small, but that, together with the cover in stable reserves, the permissible but not utilized amount of issue has decreased.

Permissible and Actual Issue.



According to its statutes, the Bank has the right to cover its issue up to 100 million lats to the extent of 50% only, in gold and foreign currency, but the Bank has never made full use of this right. Even last year when, owing to the preceding year's bad harvest, the considerable efflux of foreign currency led to a diminution of the right of issue from 142·0 to 111·6 million lats, while the

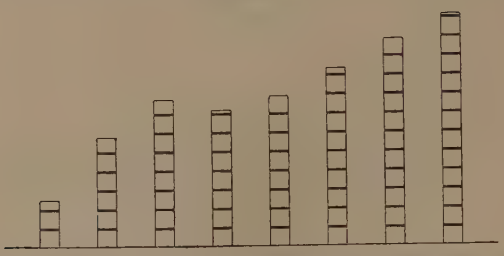
issue rose by 5·1 million lats, the latter still did not exceed 45% of the permissible issue, as the banknotes in circulation were covered to the extent of 121% by gold and foreign currency. The Bank could have augmented the proportion of cover to the level of the preceding year, but this would have involved a restriction of the circulation of banknotes which would not have been conducive to the economic interests of the country.

The Cover of Issue.

Year, month and day	Banknotes in circulation Ls	Items of cover				%/% of the issue	Permissible issue (Stat. § 13) Ls	Permissible, but not utilized issue Ls
		Gold and foreign currency Ls	%/% of the issue	Short term bills as cover of issue (Stat. § 13) Ls	Total cover of issue Ls			
1929								
January 1	43,392,990	81,486,721	187·79	86,801,260	168,287,981	387·82	141,982,295	98,589,305
February 1	42,589,140	77,348,922	181·62	84,314,361	161,663,283	379·59	136,464,229	93,875,089
March 1	44,496,750	78,982,750	177·50	83,266,393	162,249,143	364·63	138,643,667	94,156,917
April 1	46,679,790	75,123,474	160·93	85,700,036	160,823,510	344·52	133,497,965	86,818,175
May 1	45,853,230	65,407,990	142·65	87,456,008	152,863,998	333·38	120,543,987	74,690,757
June 1	42,981,440	60,355,192	140·42	88,712,432	149,067,624	346·40	113,806,923	70,825,483
July 1	43,495,750	53,509,807	123·02	90,833,093	144,332,900	331·82	104,679,745	61,183,995
August 1	43,951,570	52,976,502	120·53	89,635,839	142,612,341	324·47	103,968,669	60,017,099
September 1	45,160,120	55,966,206	123·93	91,580,858	147,547,064	326·72	107,954,941	62,794,821
October 1	47,420,385	58,491,764	123·35	92,963,776	151,455,540	319·39	111,322,352	63,901,967
November 1	49,529,560	59,380,831	119·89	93,358,405	152,739,236	308·38	112,507,775	62,978,215
December 1	48,520,785	56,313,489	116·06	94,466,747	150,780,236	310·75	108,417,985	59,897,200
1930								
January 1	48,463,745	58,691,162	121·10	94,777,254	153,468,416	316·67	111,588,216	63,124,471

The annual development of issue since the Bank's foundation is portrayed in the following diagram:

Issue.



The percentage of increase of issue receded gradually in recent years: amounting to 19% in 1927, 16% in 1928 and to 12% in the past year.

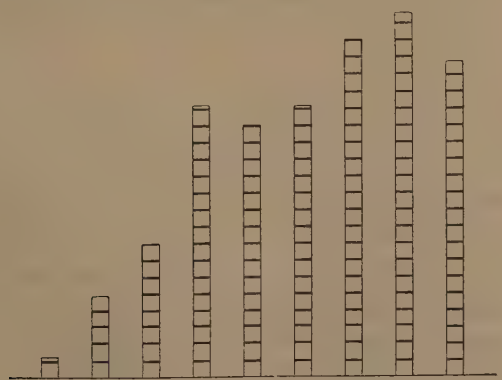
The different State sums still represent the largest item of the Bank's resources. The sums comprise the State's reserves, judiciary deposits and budgetary residues. These sums decreased considerably last year, thus diminishing their relative significance among the Bank's resources:

State sums on January 1, 1929 . .	Ls	108,438,307·41
Entered in 1929	„	681,481,753·29
	Ls	789,926,060·70
Paid out in 1929	„	696,207,893·49
Remainder on January 1, 1930 . .	Ls	93,718,167·21

Thus, in the past year, State sums decreased by 14·7 million lats or by nearly 14%. Even in the first five months of the year when there is generally an increase of State sums (by 19·9 million lats in 1927, and by 20·2 millions in 1928), the increase last year totalled only 4·1 million lats. And in the other seven months, the State sums decreased more rapidly than in former years: their decrease having amounted to 0·1 million lats in 1927, 12·3 millions in 1928, and 19·0 million lats in 1929. This diminution of State sums is due to the heavy, extraordinary State expenditure in the past year. No great increase of State sums is to be expected in the future, as it is deemed undesirable to collect more resources from taxpayers than are necessary for current State expenditure. For, although the State's reserves are augmented thereby, such a policy leads to grave difficulties in the paying power of the population and hampers economic progress. Eventual budgetary residues will probably be employed for constructing new railways and for other extraordinary requirements, as has been done lately.

The following diagram illustrates the development of State sums at the Bank's disposal since its foundation:

State Sums.



	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Lats, in millions:	6·0	24·3	39·6	80·9	74·8	80·7	100·5	108·4	93·7

From the State sums of all the past years is to be deducted the State's gold fund, amounting to 14·7 million lats, which, though deposited in the Bank, is not at the latter's free disposal. Consequently, the State sums which formed a part of the Bank's available resources, amounted to 93·7—14·7 million lats, i. e., 79·0 million lats on January 1 of the current year, as against 93·7 million lats a year ago, and it may be observed that they decreased by about 16% last year. Of the Bank's aggregate resources, State sums represented 41% on January 1, 1929, but only 35% on January 1 of the current year.

Furthermore, there are various current accounts and deposits in Latvijas Banka, belonging to State institutions and autonomous enterprises. These sums underwent practically no change last year, having amounted to 45·1 million lats on January 1 of the current year, as against 44·6 millions a year ago. Thus, in the past year, the aggregate State sums plus the accounts of State institutions, at the Bank's disposal, decreased from 138·3 to 124·1 million lats, i. e., by 14·2 millions or 10%. All these sums together represented 60% of the Bank's available resources a year ago, but dropped below 54% on January 1 of this year.

The returns of all deposits and current accounts belonging to State institutions and private persons were as follows last year:

I. Deposits.

Balance on January 1, 1929	Ls	12,372,212·76
Paid in in 1929	„	10,434,217·17
	Ls	22,806,429·93
Paid out in 1929	„	7,411,668·68
Balance on January 1, 1930	Ls	15,394,761·25

II. Current Accounts and Correspondents.

Balance on January 1, 1929	Ls	60,527,668·53
Paid in in 1929	„	880,089,943·58
	Ls	940,617,612·11
Paid out in 1929	„	879,411,647·49
Balance on January 1, 1930	Ls	61,205,964·62

The deposits and current accounts in Latvijas Banka may be classified thus: those belonging to State institutions, State autonomous enterprises, private persons and enterprises, private credit institutions and foreign correspondents. The balances belonging to each of these groups were as follows in recent years:

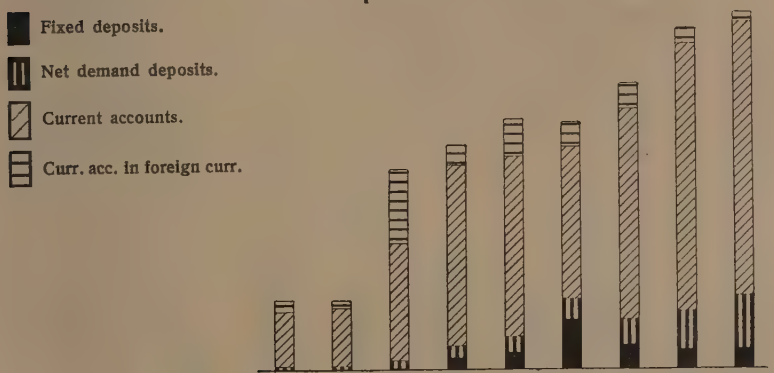
Deposits, Current Accounts and Foreign Correspondents.
(lats, in millions)

Year, month and day	State institutions	Autonomous enterprises	Private persons	Credit institutions	Foreign correspondents	Total
1928. 1. I. . .	20·9	17·9	17·8	3·9	0·6	61·1
1929. 1. I. . .	29·8	14·7	23·1	4·3	1·0	72·9
1930. 1. I. . .	31·9	13·2	26·1	4·2	1·2	76·6

In general, the deposits in Latvijas Banka are increasing gradually, and there is always a certain minimum at the Bank's disposal from year to year. This may be ascribed to the fact that, with the exception of the accounts of State institutions, the deposits consist principally of small sums. The sums belonging to private credit institutions are employed mostly for the mutual settlements of accounts, and the deposit balances of these institutions never exceed 4 million lats. The general constancy of deposits enables the Latvijas Banka to employ these sums unhesitatingly for credit operations.

The following diagram illustrates the development of deposits and current accounts throughout the period of the Bank's existence:

Deposits and Current Accounts.



Lats, in millions:	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Fixed deposits	0·0	0·1	0·3	2·5	3·6	10·6	5·1	4·1	4·2
Net demand deposits .	0·8	0·9	1·7	2·6	3·5	4·3	5·5	8·3	11·2
Current accounts	11·6	12·0	23·7	38·3	38·0	32·1	44·9	56·3	57·8
Curr. acc. in foreign curr.	2·5	1·7	15·8	4·1	7·9	5·4	5·0	3·2	2·1
	14·9	14·7	41·5	47·5	53·0	52·4	60·5	71·9	75·3

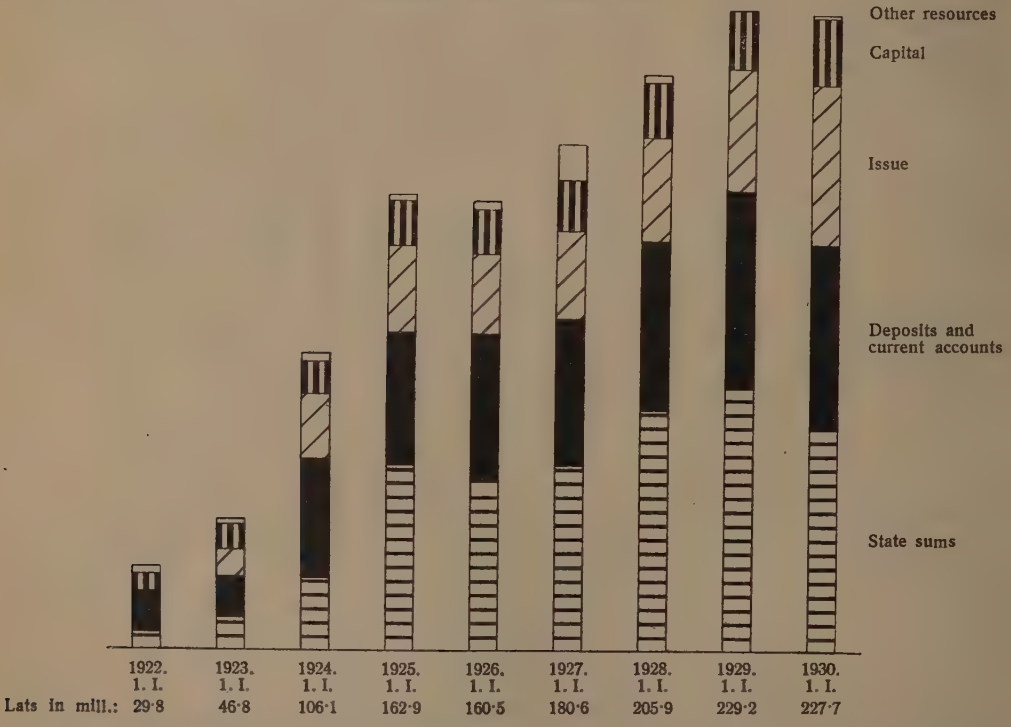
In recent years the Bank has not altered the rates of interest on private deposits and current accounts, which are as follows:

On fixed deposits, over 6 months	6%
„ „ „ up to 6 months	5%
„ net demand deposits	5%
„ current account deposits	4%
„ „ accounts in foreign currency	1·5—2%
„ bills paid at least 15 days before the stipulated term, the Bank refunds discount	4%

The Bank's aggregate resources in use remained practically unchanged last year, amounting to 227·7 million lats on January 1, 1930, as against 229·2 millions a year ago. But certain changes took place in the composition of the Bank's

resources: the various State sums decreased by 14·7 million lats, while private deposits and current accounts increased by 4·4 million lats, the Bank's own capital by 3 millions and the issue by 5·1 million lats. A rapid increase of resources is hardly to be expected in the course of the Bank's future activities, as the ordinary budgetary residues will no longer be added to the State Reserve. However, a certain increase of resources may be rendered by the gradual increase of deposits from year to year, by the increase of the Bank's own capital and, finally, by the issue of banknotes. In the latter connection, it may be observed that the possibility of augmenting the issue depends on the Latvian balance of payments (and therefore, largely, on the balance of foreign trade), as an increase of issue is justifiable only in the event of a corresponding increase of the foreign currency reserves, which ensures the proportion of cover deemed necessary by the Bank. In view of these circumstances, it is to be expected that the development of the Bank's available resources will be very moderate in the future.

Distribution of Resources.



The utilizing of resources depends on their character and peculiarities. As the above diagram shows, the Bank's resources consist of its own capital, the issue, deposits and State sums, with the exception of a few small items.

Ordinarily, the Bank utilizes the resources obtained by the issue of banknotes for purchasing foreign currency and gold. At the end of the past year, banknotes were in circulation for 48·5 million lats, and on the other side of the balance sheet gold and foreign currency figured as the counter-item for the sum of 58·7 million lats.

Another group of resources comprises deposits and current accounts. Although the total amount of this group has never diminished perceptibly, yet it is obvious that, in certain conditions, this can occur. Therefore, the Bank invests these resources in such credits, from which they can be recovered at any time in case of need. These resources are employed principally for crediting export operations, lombardized merchandise and short term bills, such credits being granted to banks, merchants and manufacturers. The resources of this group totalled 75·3 million lats on January 1 of the current year, and they were employed for a part of the credits which altogether totalled 147·7 million lats.

The third group of resources consists of the Bank's capital and reserve fund, employed in the same manner as the resources of the foregoing group.

The fourth group of resources consists of State sums deposited in Latvijas Banka, in accordance with the law, and which may be withdrawn by the State on the strength of special legislation only. As these sums will doubtless remain at the Bank's disposal for a long time, the Bank employs them for long-term agricultural credits. Various credits of a long-term nature granted to farmers and manufacturers are transferred to the State Land Bank or to the Latvian Mortgage Bank in exchange for debentures of the latter institutions. The State sums at the Bank's disposal at present total 79 million lats, and are employed as follows: 30·8 million lats on easy terms and low rates of interest to farmers through the medium of loan and savings banks in the country; 5·3 million lats to farmers direct, against mortgages on real property; 8·1 million lats deposited in bonds, and the remainder employed for ordinary short term operations.

Resources of Latvijas Banka in use and their Employment
(lats, in millions)

	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Resources:									
State sums	6·0	11·5	25·9	66·2	60·1	66·0	85·8	93·7	79·0
Deposits and current accounts	14·9	14·7	42·5	47·5	53·0	52·4	60·5	70·9	75·3
Issued banknotes	—	9·8	23·0	30·9	28·6	31·5	37·3	43·4	48·5
Own capital	6·1	8·9	11·6	12 2	15·7	18·2	19·5	21·2	24·2
Other resources	2·8	1·9	3·1	2·1	3·1	12·5	2·8	0·0	0·7
Total	29·8	46·8	106·1	162·9	160·5	180·6	205·9	229·2	227·7
Principal forms of employing resources:									
Loans	9·8	11·5	40·8	102·7	123·1	134·5	133·8	131·8	147·7
Reserves	19·4	31·8	51·3	50·1	29·1	30·3	58·0	81·5	58·7
Bonds	0·0	0·0	0·0	0·0	0·1	0·1	2·5	4·8	8·1

Various changes took place in the employment of resources last year, as revealed by the altered proportion of the sums invested in loans, reserves and bonds. Whereas in the preceding two years, the reserves increased constantly and the amount of credits remained practically unchanged, we observed just the contrary in the past year, in consequence of the then prevailing economic difficulties. Credits increased considerably, while the reserves decreased. In this connection, it may be observed that the actual increase of credits was even larger last year than the above figures show, inasmuch as the Bank's loans transferred to the Latvian Mortgage Bank in the course of several years figured hitherto among the loans to manufacturers, and only lately, since the receipt of debentures of the said Bank, have these sums been added to bonds.

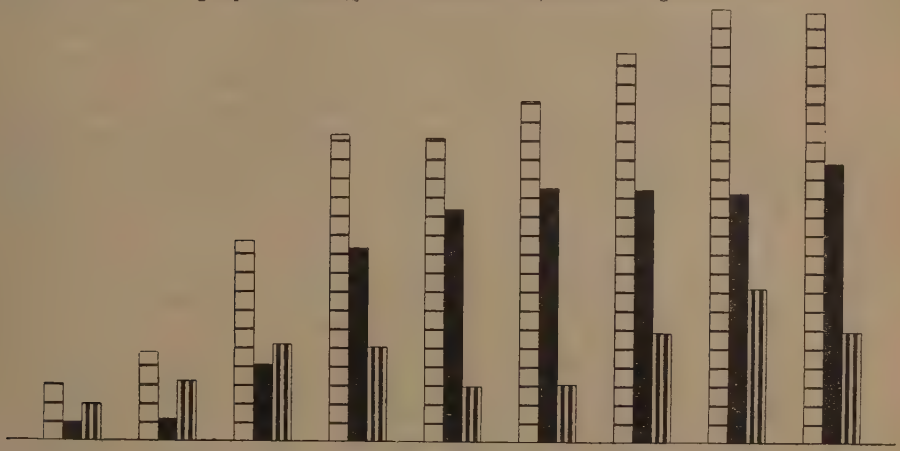
Although the Bank's total credits increased perceptibly last year, the essential fundamental principles of its credit policy have not been altered. Every precaution was taken in the granting of new credits, and even then such credits were issued only in the interests of normal economic development. Compared with the general increase of State credits in the past year, far exceeding the credits granted in previous years owing to farmers' difficulties last year, the credits of Latvijas Banka increased very moderately. Larger credits were granted to agriculture through the State Land Bank, and Latvijas Banka had to be extremely careful to prevent a too large increase of issue and of imports, which might have resulted from new credits. Economic exigencies evoked an extraordinary increase of import, and it would have been worse if Latvijas Banka had promoted the import by facilitating credits. In such a case, the imports would have surpassed the limits of actual necessity, the demand for foreign currency for paying for the imported goods would have been much greater, and the stable reserves of Latvijas Banka would have diminished more than was permissible. Therefore, the Bank had to restrict the demand for foreign currency as much as possible and keep the percentage of cover for issue at the desired level. The result was that the efflux of foreign currency ceased in the second half of the year and it was even possible to replenish the Bank's stable reserves a little, which would have been impossible if the Bank had augmented its credits to cope with the demand.

At the close of the fiscal year 1928/29, after the difficulties resulting from the bad harvest had been overcome and the new harvest had been gathered in, it was found that the import showed no signs of decreasing and the balance of payments rendered no surplus. Therefore, it became obvious that steps ought to be taken to restrict imports and safeguard domestic producers against foreign competitors. The most powerful weapon for this purpose, viz., the Customs Tariff was, of course, at Parliament's disposal, but this apparatus is not adapted to cases of urgent necessity. In fact, no alterations have been made in the Customs Tariff, though the necessity of certain modifications became obvious immediately after the harvest was collected when, owing to the low prices of grain in the international market, the hopes of our farmers were frustrated and their position did not improve to such a degree as was expected after such a good harvest. In these circumstances, the Latvijas Banka resolved to resort to the only available means, viz., its credit policy, for adjusting the situation. In order to restrict the import, the Bank's

Council decided to grant no more credits against bills of any kind. And in order to promote export, it was resolved not to restrict the discounting of export drafts and the loans against goods made or produced in this country. Furthermore, it was resolved not to allow the total sum of credits to farmers against mortgages on real property to exceed 10 million lats, including the debentures of the State Land Bank received in exchange for the loans previously granted to farmers by Latvijas Banka and subsequently transferred to the Land Bank as long term transactions. The latter resolution effectively checks the granting of new credits to farmers, inasmuch as the ten-million-lat limit has been reached already.

Resources, Loans and Stable Reserves.

On the left of each group — resources, in the middle — loans, and on the right — reserves.



		1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Resources	Lats	29·8	46·8	106·1	162·9	160·5	180·6	205·9	229·2	227·7
Loans	in	9·8	11·5	40·8	102·7	123·1	134·5	133·8	131·8	147·7
Reserves	mill.	19·4	31·8	51·3	50·1	29·1	30·3	58·0	81·5	58·7

As in previous years, the Latvijas Banka endeavoured last year to improve the situation of farmers. For, although extensive credits have been distributed to farmers by the State Banks, the problem of crediting agriculture is by no means solved. In the first place, a part of this credit has proved to be somewhat expensive, owing to the low remunerativeness of our agriculture. Secondly, the form of credit is not always adapted to the needs of agriculture. This applies in particular to the six months bill credits, to which our farmers often resort for season requirements and for other purposes, owing to the very limited amount of official long term credit available. Experience shows that short term credits are not well adapted to agriculture, as the farmers do not seem able to get accustomed to the regular settling of bills on fixed dates. This circumstance leads to complications and encourages the misconception that there is nothing unusual in the protesting of bills in our economic life.

The Latvijas Banka is doing the utmost to make credits cheaper and to facilitate the conditions of payment. In pursuance of this aim, the credits to farmers have always been granted on easier terms than to other economic branches, duly considering the low remunerativeness of agriculture. So far, farmers have had to pay only $5^1/_2\%$ for direct credits against mortgages on real property, and the re-discount rate to credit institutions in the country was 5%, i. e., by $1—2\%$ lower than to urban credit institutions, with the stipulation that the former may not charge their clients more than 8% for the sums received from Latvijas Banka, i. e., $3—4\%$ less than is charged for ordinary credits in towns.

After careful consideration, the Council of Latvijas Banka agreed that these rates were also too high for the conditions prevailing in our agriculture and, therefore, decided on new measures for facilitating the crediting of agriculture and gradually liquidating the credits previously granted but prolonged from term to term. Briefly, the new measures are of the following nature:

The total amount of credits granted to credit institutions in the country up to January 1 of the current year shall be reserved as from this date for crediting agriculture through the medium of the credit institutions. Consequently, about 30 million lats of the resources of Latvijas Banka are destined for this purpose, and as long as the State does not diminish its reserves in Latvijas Banka, this sum will remain for crediting agriculture through the mutual credit institutions in the country, on easy terms and at lowered rates of interest. The Bank will charge the credit institutions 3% for these loans, and the latter shall not charge more than 5% on these sums. Furthermore, in granting such credits, the Bank accepts bills of a duration up to nine months (instead of the six-months bills taken hitherto), as also mortgages on real property in the country, which is not overburdened. At the end of each year, one-twentieth of the aggregate credits granted on easy terms shall be converted to ordinary terms, i. e., the Bank will charge 5% on these sums, and the mutual credit institutions will be empowered to employ these sums only for short term credits to agriculture, repayable on their own terms without prolongation.

The Bank's loans may be classified: 1) according to the economic branches which receive them, and 2) according to the form of security. Firstly, let us consider how much has been granted to private enterprise by the Latvijas Banka direct, and how much through the medium of credit institutions.

Loans (lats, in millions).

Year, month and day	To private persons and enterprises	%% of the total	To credit institutions	%% of the total	Total
1924. 1. I. . .	28·1	69	12·7	31	40·8
1925. 1. I. . .	64·1	62	38·7	38	102·8
1926. 1. I. . .	71·1	58	52·0	42	123·1
1927. 1. I. . .	72·0	54	62·5	46	134·5
1928. 1. I. . .	68·1	51	65·8	49	133·9
1929. 1. I. . .	61·4	46	70·4	54	131·8
1930. 1. I. . .	70·3	48	77·4	52	147·7

Whereas, in the two preceding years, only the loans to credit institutions increased, we find that last year the loans to private enterprise increased even more than those to the credit institutions. This may be ascribed partly to some loans to State enterprises, after the settling of which the proportion of credits will be again in the favour of credit institutions. The percentage of loans granted to credit institutions increased from 31 to 54% in the course of five years (from January 1, 1924 to January 1, 1929), and only in the past year did it decrease slightly (to 52%). On the whole, the Bank's credits have been concentrated, as is obvious from the diminished number of private clients. The discount credit of the Latvijas Banka was distributed as follows in recent years:

Year, month and day	To private enterprises	To credit institutions	Total	Average discount to 1 client Ls
1928. 1. I.	985	186	1,171	4,734
1929. 1. I.	934	200	1,134	5,095
1930. 1. I.	908	203	1,111	5,414

The Bank's credits have been distributed among the different economic branches as follows:

Classification of Loans according to Economic Branches

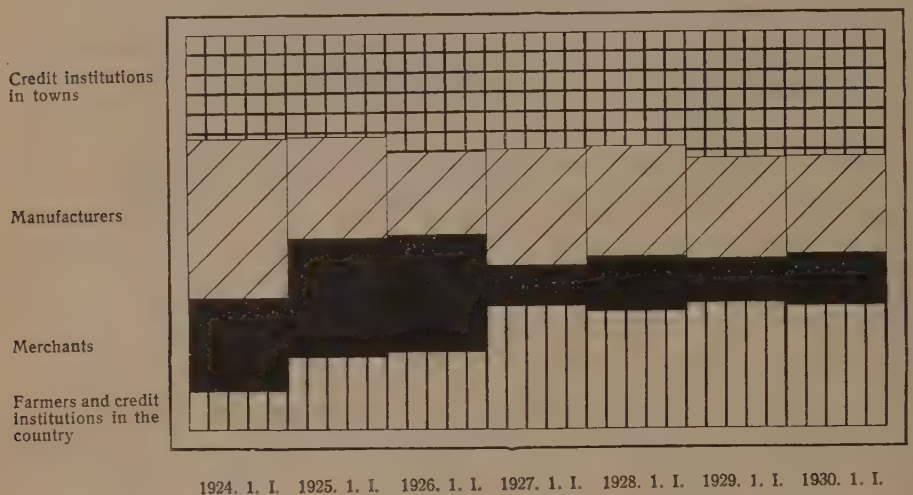
(lats, in millions).

Year, month and day	To manufacturers	To merchants	To farmers' organizations	To farmers	To credit institutions in the country	To credit institutions in towns
1924. 1. I. . .	15·6	9·2		1·1	2·7	10·1
1925. 1. I. . .	24·7	29·1		4·3	13·5	25·2
1926. 1. I. . .	29·6	28·0		4·7	17·8	34·2
1927. 1. I. . .	42·5	16·4	8·6	4·5	26·0	36·5
1928. 1. I. . .	37·1	18·4	9·6	3·0	27·3	38·5
1929. 1. I. . .	33·5	14·5	9·9	3·5	28·4	41·9
1930. 1. I. . .	36·2	19·3	9·6	5·3	30·8	46·6

Thus, the credits to all branches were augmented last year: to manufacturers by 2·7 million lats, but in reality by about 6 million lats, inasmuch as certain credits transferred previously to the Latvian Mortgage Bank have, lately, since the receipt of that Bank's debentures been converted into bonds. Furthermore,

the credits to merchants increased by 4·8 million lats, to farmers direct and through farmers' organizations and rural credit institutions by 3·9 millions, and to various economic branches through urban credit institutions — by 4·7 million lats.

Credit Distribution (in percentages).



This diagram portrays the percentage of loans received by each economic branch since the beginning of 1924. The corresponding figures are as follows:

Year, month and day	Manufacturers	Merchants	Farmers, their organizations & credit institut. in the country	Credit institutions in towns
1924. 1. I.	40·3	23·8	9·8	26·1
1925. 1. I.	25·5	30·1	18·4	26·0
1926. 1. I.	25·9	24·5	19·7	29·9
1927. 1. I.	29·3	10·3	31·2	29·2
1928. 1. I.	27·7	13·8	29·8	28·7
1929. 1. I.	25·4	11·0	31·8	31·8
1930. 1. I.	24·5	13·1	30·9	31·5

Thus, no important changes were registered in the distribution of credits to the various economic branches last year, with the exception of the increased credits to commerce, manifested by the augmented crediting of certain State institutions included in this group.

Credits to Manufacturers
(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Against bills	7·2	6·6	9·0	7·7	6·9	6·9	6·6
„ foreign drafts	?	?	?	5·8	1·5	2·4	3·2
„ bonds and other securities	4·4	7·8	8·4	12·8	13·9	14·3	14·2
„ goods	3·3	8·7	10·4	14·4	13·5	8·8	11·4
„ plant	0·7	1·6	1·8	1·8	1·3	1·1	0·8
	15·6	24·7	29·6	42·5	37·1	33·5	36·2

As was observed above, the credits granted to manufacturers direct increased not merely by 2·7, but rather by 6 million lats last year, as various credits previously transferred to the Latvian Mortgage Bank were deducted from the total. Inter alia, the credits against merchandise and export drafts increased, while those against industrial plant continued downwards.

Credits to Merchants
(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Against bills	4·3	9·3	14·1	4·8	4·4	3·8	3·6
„ foreign drafts	?	?	?	3·6	1·3	2·0	3·5
„ bonds and other securities	0·8	3·5	3·1	1·2	2·0	5·2	9·7
„ goods	4·1	16·3	10·8	6·8	10·7	3·3	2·4
	9·2	29·1	28·0	16·4	18·4	14·5	19·2
Total with farmers' organizations							

In reality, the aggregate credits granted to merchants direct did not increase, but decreased last year. For this group of credits includes also the loans to the Ministry of Finance for buying seeds, granted for one year against bonds of the State Land Bank and the Latvian Mortgage Bank. This accounts for the apparent increase.

Credits to Farmers' Organizations
(lats, in millions).

Classification	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Against bills	7·2	7·6	7·5	7·9
„ bonds and other securities	0·8	0·9	1·7	1·1
„ goods	0·6	1·1	0·7	0·6
	8·6	9·6	9·9	9·6

In this group, the credits against bills increased, while the other credits decreased last year.

Credits to Farmers
(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Against mortgages on real property .	0·1	4·2	4·6	4·5	2·9	3·5	5·3
Other credits	1·0	0·1	0·1	0·0	0·1	0·0	0·0
	1·1	4·3	4·7	4·5	3·0	3·5	5·3

The credits to farmers against mortgages on their real property increased perceptibly last year. In practice, such credits are not transferred to the State Land Bank, as the latter lacks the special resources for taking over these transactions.

Loans to Credit Institutions in the Country
(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Against bills	2·7	9·1	10·4	20·0	25·6	28·4	30·8
„ agricultural plant	—	4·3	5·3	6·0	1·7	0·0	0·0
Other credits	0·0	0·1	2·1	0·0	0·0	0·0	0·0
	2·7	13·5	17·8	26·0	27·3	28·4	30·8

As in all previous years, the loans granted to credit institutions against bills increased last year, especially those „on call", amounting to two-thirds of the total, while the discounting of bills does not exceed one-third thereof. The credit institutions in the country have practically no other credits in Latvijas Banka.

Loans to Credit Institutions in Towns
(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Against bills	8·9	21·0	29·8	31·6	33·4	35·7	39·1
„ bonds and other securities .	0·0	2·8	2·6	3·9	3·2	2·3	1·5
„ goods	1·2	1·4	1·8	1·0	1·9	3·9	6·0
	10·1	25·2	34·2	36·5	38·5	41·9	46·6

The loans to credit institutions in towns increased considerably last year, to which increase the credits against bills and goods contributed largely.

The following table illustrates the development of the various forms of credit during the past three years:

Classification of Loans
(lats, in thousands).

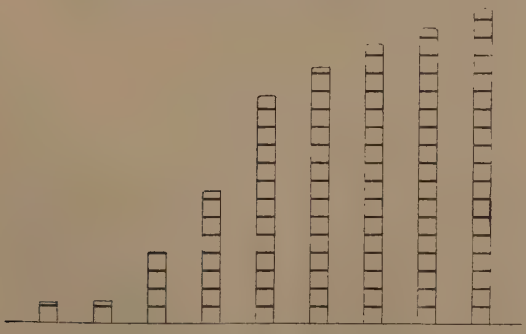
Form of security	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	Difference against the preceding year
Discounted bills	53,448	55,434	57,772	60,151	+ 2,379
„ drafts	9,348	2,835	4,377	6,738	+ 2,361
Bills „on call“	17,903	22,494	24,593	27,888	+ 3,295
Mortg. on real prop. in the country	4,754	3,298	3,695	5,535	+ 1,840
„ „ „ „ „ towns	12,308	11,165	17,400	16,466	— 936
Other securities	3,841	7,657	6,032	9,613	+ 3,581
Agricultural plant	8,277	2,377	114	11	— 103
Industrial plant	1,925	1,498	1,180	903	— 277
Goods	22,699	27,111	16,586	20,407	+ 3,821
	134,503	133,869	131,749	147,712	+ 15,963

Thus, the credits against bills, merchandise, mortgages on real property in the country and other securities increased last year, while the credits against mortgages on real property in towns and industrial or agricultural plant decreased. The latter credits are losing their significance year by year.

The returns of bills and drafts discounted and on call in the past year were as follows:

Balance on January 1, 1929	Ls 86,742,007·26
Discounted in 1929	„ 336,301,069·95
	Ls 423,043,077·21
Redeemed in 1929	„ 328,265,823·48
Balance on January 1, 1930	Ls 94,777,253·73

Discount of Bills and Bills „on call“.



	1922. 1.XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Lats, in millions:	5·6	6·1	20·1	36·9	63·4	71·4	77·9	82·4	88·0

Foreign drafts.

	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Lats, in millions:	0·2	1·0	2·1	6·1	8·8	9.3	2·8	4·4	6·7

The credits against bills showed a perceptible increase last year again. Together with drafts, they increased by 8 million lats. Credits against inland bills were augmented only to credit institutions (by nearly 6 million lats), but remained unchanged in regard to private persons and enterprises. Only the discount of foreign drafts to manufacturers and merchants increased.

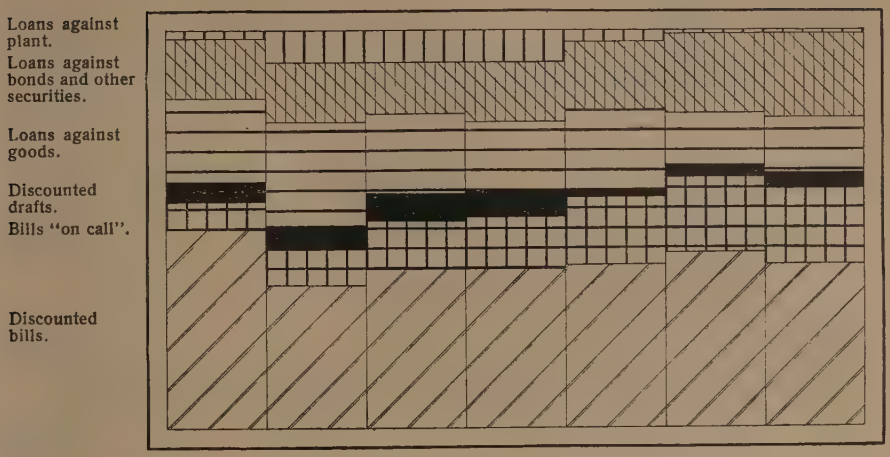
The returns of other loan operations in the past year were as follows:

Balance on January 1, 1929	Ls	45,006,859·07
Paid out in 1929	„	74,467,999·38
	Ls	119,474,458·45
Refunded in 1929	„	66,539,579·73
Balance on January 1, 1930	Ls	52,935,278·72

Other Loans.

	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Lats, in millions:	4·1	4·4	18·5	50·7	51·0	53·8	53·1	45·1	52·9

Distribution of Loans (in percentage).



The above diagram reveals the changes which have taken place in the percentages of the Bank's loans during the last six years. The corresponding figures are as follows:

Security	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Discounted bills	50	36	40	40	41	44	41
Bills "on call"	7	9	12	13	17	19	19
Foreign drafts	5	6	7	7	2	3	4
Bonds & other securities	15	15	13	15	17	20	21
Plant	2	8	8	8	3	1	1
Goods	21	26	20	17	20	13	14

Disregarding the increased cost of credit in the international money market, the Bank has not altered its loan rates since April 1, 1928. The only change in the Bank's rates of interest, so far, has been the lowering of the cost of loans for agriculture, whereby the rate on loans granted to farmers through mutual credit institutions in the country up to January 1, 1930 is lowered from 5 to 3%, which rate will remain in force pending the gradual liquidation of these transactions. The ordinary rates of interest of Latvijas Banka are as follows:

1) To credit institutions in the country:
   a) for rediscount of bills, and
   b) for special current accounts secured by bills of credit intitutions which charge their clients 8% or less 5%
   c) for all other loans and special current accounts of credit institutions which charge their clients 9½% or less 6½%

2) To farmers:
   a) for loans against solo bills, secured by mortgages on real estate in the country 5½%
   b) for special current accounts of a similar nature 6½%

3) To credit institutions in towns:
   a) for rediscount of bills of credit institutions which charge their clients 11% or less 6%
   b) which charge their clients 12% 7%
   c) for all other loans and special current accounts of credit institutions which charge their clients 11% or less 6½%
   d) which charge their clients 12% 7½%

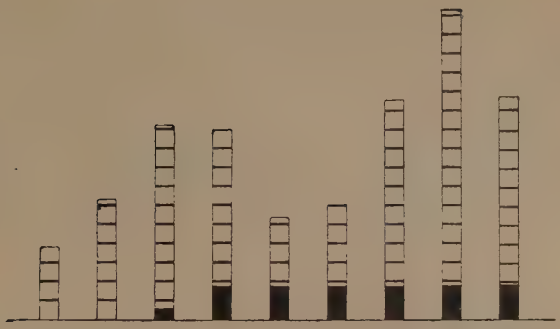
4) To private persons and enterprises:
   a) for discount of bills 7½%
   b) for all other loans and special current accounts 8%

5) For discount of export drafts 6%

Gold and foreign currency form the stable reserves of Latvijas Banka for the cover of issue. The stocks of gold have undergone practically no change in the past five years. Their slow increase (from 8·9 to 9·2 million lats) is a result of buying and selling gold in small quantities, whereby the offer generally exceeds the demand. The Bank does not deem it desirable to augment its gold reserve by buying more gold in the foreign market, as it is more profitable to deposit the reserves in firstclass foreign banks, which pay interest on them. This policy was justified by the large profit rendered to the Bank in the past two years, when credits were dearer everywhere.

Consequently, the stocks of foreign currency present practically the only changes perceptible in the Bank's stable reserves. These stocks decreased noticeably during the past year, in consequence of the bad harvest which reflected unfavourably on the Latvian balance of payments. The efflux of foreign currency began on October 1, 1928, when the Bank possessed such currency for the sum of 86·1 million lats, and continued almost uninterruptedly until July 1, 1929, when there remained in the Bank only 45·6 million lats. Then followed some improvement and, though there was still some fluctuation, the stocks of foreign currency increased by 3·9 million lats in the second half of the year. Naturally, this could not produce a marked improvement in the results of the whole year, as the deficit of the first halfyear was too large. The Bank's aggregate stable reserves decreased by 22·8 million lats during the past year.

Gold and Foreign Currency.



Lats, in millions:	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.
Foreign currency	19·3	31·6	48·3	41·2	20·2	21·4	49·1	72·5	49·5
Gold	0·1	0·2	3·0	8·9	8·9	8·9	8·9	9·0	9·2

The returns of foreign currency increased last year:

Balance on January 1, 1929	Ls	72,465,711·74
Bought in 1929	„	263,333,590·50
	Ls	335,799,302·24
Sold in 1929	„	286,308,226·85
Balance on January 1, 1930	Ls	49,491,075·39

The returns of gold were small, though larger than in the preceding year:

Balance on January 1, 1929	Ls	23,753,900·01
Bought in 1929	„	291,452·72
	Ls	24,045,352·73
Sold in 1929	„	112,375·49
Balance on January 1, 1930	Ls	23,932,977·24

Of the Bank's gold stocks, 14·7 million lats belong to the State and 9·2 millions to the Bank itself. The latter sum may, therefore, be included in the cover of issue.

Bonds guaranteed by the State are gaining more and more significance in the Bank's balance sheet. The value of such bonds in the Bank's possession is

over 8 million lats at present, as against a sum of less than 52,000 lats four years ago. These bonds are almost exclusively mortgages of the State Land Bank and the Latvian Mortgage Bank, acquired by Latvijas Banka from these two long-term credit institutions, in connection with farmers' and manufacturers' loans transferred to the latter institutions. The transfers took place in debtors' interests, enabling them to refund the loans in instalments over a longer period. This form of investing its resources is secure and profitable for the Bank. Objections could be raised on the grounds of insufficient liquidity, if the proportion of bonds among the Bank's resources were too large. In reality, however, it does not exceed $3^1/_2\%$.

The returns of bonds were as follows last year:

Balance on January 1, 1929 .	Ls	4,800,169·50
Bought in 1929	„	4,140,474·79
	Ls	8,940,644·29
Sold in 1929	„	872,500·16
Balance on January 1, 1930 .	Ls	8,068,144·13

The returns of Latvian State money increased by nearly 9% last year and were as follows:

Balance on January 1, 1929 .	Ls	15,149,615·78
Paid in in 1929	„	879,420,071·37
	Ls	894,569,687·15
Paid out in 1929	„	876,124,031·84
Balance in January 1, 1930 .	Ls	18,445,655·31

The returns of postal cheques decreased by nearly 40%, as compared with the preceding year, and were as follows:

Balance on January 1, 1929 .	Ls	1,008,050·—
Paid in in 1929	„	31,195,846·55
	Ls	32,203,896·55
Paid out in 1929	„	31,526,583·32
Balance on January 1, 1930 .	Ls	677,313·23

The profit and loss of Latvijas Banka presented the following picture in all the years since the Bank's foundation:

Profit and Loss

(lats, in thousands).

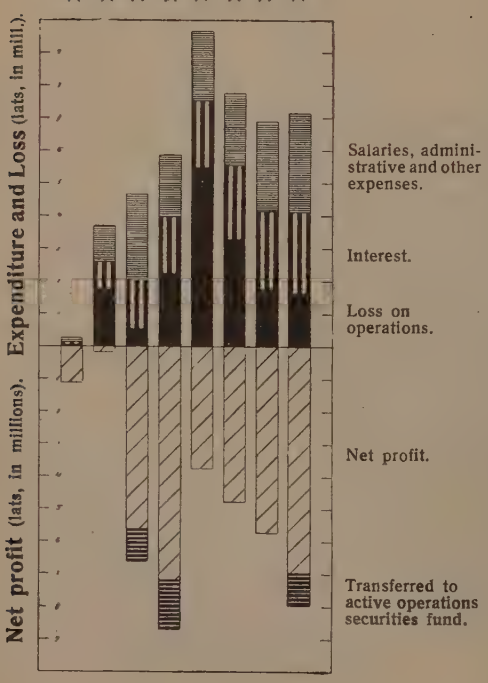
	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.
Profit:								
On credit operations	169	2,154	6,234	10,909	10,836	9,981	8,962	10,159
„ transactions in foreign currency	929	1,518	3,907	3,393	1,826	1,254	2,893	2,701
Sundries	19	204	130	199	745	1,301	763	2,266
Total	1,117	3,876	10,278	14,501	13,407	12,536	12,618	15,126
Expenditure and Loss:								
Loss on operations	55	1,755	545	2,238	5,486	3,277	1,781	1,634
Interest	76	849	1,516	1,760	2,046	2,269	2,376	2,512
Salaries, administrative expenses, wear and tear etc.	130	1,090	1,618	1,853	2,122	2,206	2,746	3,032
Transferred to active operations security fund	—	—	1,000	1,500	—	—	—	1,000
Total expenditure & loss	261	3,694	4,679	7,351	9,654	7,752	6,903	8,176
Net profit	856	182	5,598	7,150	3,753	4,784	5,715	6,948
	1,117	3,876	10,277	14,501	13,407	12,536	12,618	15,126

The largest gross profit since the Bank's foundation was achieved last year. The net profit was larger only in the year 1925. The credit operations of the Bank are its principal sources of profit. They were augmented last year and, therefore, rendered 1·2 million lats more gross profit than in the preceding year. As the sums written off were smaller than in the preceding year and, at the same time, the amount of bad debts recovered was larger, the net profit on loan operations increased still more: from 7·1 to 9·9 million lats. A sum of 143·1 million lats on the average was invested in credit operations last year, and the latter rendered 6·9%, as against 5·5% in 1928 and 5·1% in 1927. This percentage of profit, which is rather high considering the Bank's low rates of interest, is due to the fact that the dubious sums refunded almost completely covered the year's loss. Operations in foreign currency rendered nearly as much net profit as in the preceding year, though the sums which the Bank had abroad were, on the average, smaller in the past year. The satisfactory profit on these operations was due to the very high rates of interest paid on deposits abroad last year. The Bank's profit on the difference in exchange has been small in recent years, owing to the very low rate computed by the Bank. The large increase of the other item of profit is due to the inclusion of the sums written off but subsequently recovered, while in the preceding year these sums were not indicated as profit but were deducted from the total sum written off. The following table illustrates the amount of loans written off and subsequently recovered during the past three years:

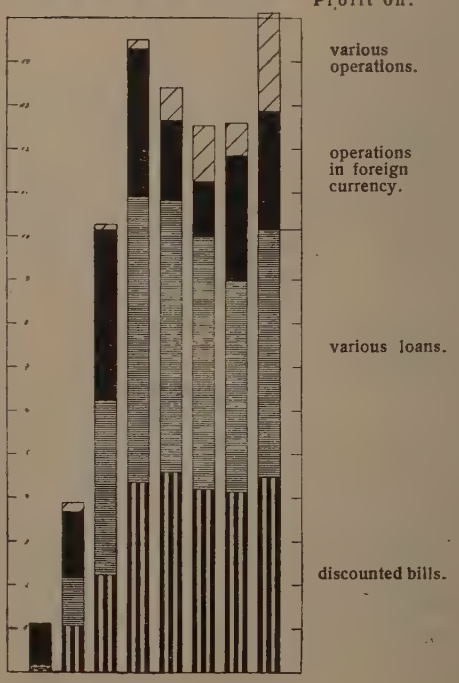
Year	Written off	Recovered	Net Loss
1927.	3,265	682	2,583
1928.	2,573	792	1,781
1929.	1,564	1,392	172

Thus, the balance of bad debts, as compared with the amounts recovered, has been decreasing from year to year, and reached the low level of 172,000 lats last year. The interest paid on deposits is increasing year by year, parallel to the increase of deposits, whereby the Bank has not changed its rates of interest lately. Current expenditure increases in proportion to the development of the Bank's activities and the improvement of its officials' salaries.

Expenditure, Loss and Net Profit of Latvijas Banka.



Gross profit
(lats, in millions).



The actual net profit for the year 1929 totalled 7·9 million lats, but as it was decided to transfer one million lats thereof to the active operations sacurity fund, there remained a sum of 6·9 million lats for apportionment in conformity with the Bank's statutes. This sum is to be apportioned as follows:

To founded capital (25%) . . .	Ls	1,724,722·48
„ reserve capital (10%) . . .	„	689,888·99
„ bonuses	„	312,621·—
„ State Revenue	„	4,171,657·44
	Ls	6,898,889·91

These entries having been made, the Bank's capital comprises the following sums:

Founded capital	Ls	18,734,925·25
Reserve capital	„	4,351,986·53
Special reserve fund	„	3,500,000·—
	Ls	26,586,911·78

Hitherto, the Bank's own capital aggregated Ls 23,172,300·31.

Since its foundation the Bank has augmented State Revenue by the following sums:

In 1922	Ls	501,846·29
„ 1923	„	104,792·36
„ 1924	„	3,296,301·76
„ 1925	„	4,226,800·02
„ 1926	„	2,196,562·59
„ 1927	„	2,847,405·82
„ 1928	„	3,417,976·09
„ 1929	„	4,171,657·44
	Altogether Ls	20,763,342·37

The Clearing House attached to Latvijas Banka began activities in January 1927, and has presented the following returns:

Ls 56,972,000	in 1927
„ 115,687,000	in 1928 and
„ 308,893,000	in 1929.

The above figures reveal the extraordinarily rapid progress of the Clearing House, in which most of the Latvian joint-stock banks participate at present. The Clearing House has been autonomized since the beginning of 1930 and now operates on the strength of its own statutes.

Debit **Profit and**

	Lats	c.	Lats	c.
Paid:				
Interest on deposits	640,039	21		
„ „ current accounts	1.835,700	88		
„ „ current a/c. of correspondents	36,519	18	2,512,259	27
Current expenditure:				
Salaries and fees	2.249,759	03		
Administrative expenses	446,846	56		
Household expenses	278,787	56	2,975,393	15
Wear and tear of furniture, fixtures and real estate, written off			105,139	32
Loss on protested bills, spec. curr. a/c., termin. loans, commercial credits, warrants and correspondents "Nostro"			1,563,800	51
Loss on sundries			70,984	44
Transferred to the Bank's active operations security fund			1,000,000	—
			8,227,576	69
Net profit			6,898,889	91
			15,126,466	60
Apportioning of the net profit in conformity with the Bank's statutes:				
To founded capital 25%			1,724,722	48
„ reserve fund 10%			689,888	99
„ bonuses			312,621	—
„ State Revenue			4,171,657	44
			6,898,889	91

Loss Account 1929. *Credit*

	Lats	c.	Lats	c.
Interest and commission received:				
On discount operations:				
On discounted drafts	309,951	97		
„ „ bills	4,176,293	97		
„ special curr. a/c. secured by bills	1,233,015	—	5,719,260	94
On special curr. a/c. and loans:				
Against mortgages on real property	2,491,375	78		
„ agricultural & industrial plant	113,531	64		
„ goods	1,835,277	10	4,440,184	52
On current a/c. of correspondents			2,520,179	89
On warrants			330,939	89
On commission operations			225,102	26
Written off sums recovered			1,392,353	47
Profit on exchange difference:				
On foreign gold and silver money	3,580	76		
„ money and drafts in cash and with correspond.	176,858	41	180,439	17
On bonds			318,006	46
			15,126,466	60

Assets.

Balance Sheet

	Lats	c.	Lats	c.
Stock of gold:				
Foreign gold specie in cash	1,330,334	47		
Gold bullion belonging to the Bank, abroad	7,869,752	02		
„ „ deposited by the Exchequer	14,732,890	75	23,932,977	24
Foreign currency:				
Foreign silver money in cash	38,244	14		
„ money in cash	755,722	32		
„ „ abroad (Correspond. a/c. "Nostro")	48,697,108	93	49,491,075	39
Latvian State money:				
silver money, treasury notes and small coin			18,445,655	31
Postal cheques			677,313	23
Bonds			8.068,144	13
Short term bills:				
discounted foreign drafts	6,738,060	15		
„ bills	58,687,691	09		
„ „ with branches and correspondents	1,463,057	37		
spec. curr. a./c. secured by bills	27,888,445	12	94,777,253	73
Special current accounts and loans:				
against obligations on real property and other values	31,613,911	58		
„ agricultural and industrial plant	913,783	41		
„ goods	20,407,583	73	52,935,278	72
Inventory and real property:				
inventory	305,049	46		
real property	380,693	35	685,742	81
Other assets			2,728,429	53
			251,741,870	09
Bills & documents for collection			11,037,290	86
Transitory values			102,665,846	05
Various securities			177,645,782	25

Deputy Chief Accountant: *J. Spilners.*

January 1, 1930.

Liabilities.

	Lats	c.	Lats	c.
Capital:				
capital fully paid up	17,010,202	77		
reserve fund	3,662,097	54		
the Bank's active operations security fund	3,500,000	—	24,172,300	31
Banknotes issued			48,463,745	—
Deposits:				
fixed deposits	4,187,427	47		
net demand deposits	11,207,333	78	15,394,761	25
Current accounts:				
current accounts	50,989,267	39		
„ „ not bearing interest	6,843,218	95		
„ „ in foreign currency	2,108,198	94		
correspondents a/c. "Loro"	1,265,279	34	61,205,964	62
Exchequer			93,718,167	21
Profit and loss: net profit for 1929			6,898,889	91
Other liabilities			1,888,041	79
			251,741,870	09
Delivered warrants & acceptances			9,887,320	94

Director General: *K. Vanags.* Deputy Director General: *V. Bandrevičs.*

Directors: *E. Ozoliņš, J. Stalbovs, St. Kambala.*

BRANCHES OF THE LATVIJAS BANKA IN LATVIA.

EXECUTING ALL BANKING OPERATIONS:

Cēsis (Wenden)	Manager	*M. Bērziņš*
Daugavpils (Dvinsk)	„	*V. Oglevics*
Jelgava (Mitau)	„	*J. Lecis*
Liepāja (Libau)	„	*A. Dumpe*
Rēzekne (Rezhitsa)	„	*J. Millers.*
Valmiera (Wolmar)	„	*P. Kuplis*
Ventspils (Windau)	„	*A. Neretnieks*

EXECUTING ALL INLAND BANKING OPERATIONS:

Bauska	Manager	*K. Broks*
Kuldīga (Goldingen)	„	*K. Pinkovskis*
Tukums	„	*Kr. Vītols*

OPERATIONS OF WHICH ARE LIMITED:

Aizpute (Hasenpoth)	Manager	*A. Alļe*
Alūksne (Marienburg)	„	*J. Ādlers*
Balvi	„	*H. Priedītis*
Jaunjelgava (Friedrichstadt) . . .	„	*Ž. Fogelmanis*
Jēkabpils (Jakobstadt)	„	*F. Skujskubris*
Limbaži (Lemsal)	„	*K. Cīrulis*
Ludza (Lutzin)	„	*P. Jumars*
Madona	„	*P. Apsītis*
Rūjiena	„	*V. Leimanis*
Saldus (Frauenburg)	„	*F. Gailis*
Smiltene	„	*E. Apse*
Talsi	„	*F. Grīnvalds*
Valka	„	*J. Ķimins*

THE ECONOMIC POSITION IN 1929.

State Finances and Credits.

Year by year, the Latvian State Budget renders a certain residue, as the following table shows:

In the budget year	1922/23	21·6 million lats
„ „ „ „	1923/24	32·6 „ „
„ „ „ „	1924/25	17·1 „ „
„ „ „ „	1925/26	1·5 „ „
„ „ „ „	1926/27	4·6 „ „
„ „ „ „	1927/28	11·5 „ „
„ „ „ „	1928/29	6·3 „ „

It is not yet possible to make an exact computation of the surplus for 1929/30, as this can be done only at a later date. In the first nine months of the current budget year (from April 1,1929 to January 1,1930) State Revenue totalled 132·4 million lats (as against 125·3 millions in the corresponding period of the preceding budget year) and Expenditure totalled 129·1 (as against 119·3) million lats. Thus, Revenue exceeded Expenditure by 3·3 million lats, as against 6·0 millions in the preceding year. An exact comparison of the results of the last two years cannot be made, owing to various modifications in the classification of State Revenue this year, treating some of its items as State deposits. Direct taxes, stamp duty, various excises and import duties have rendered more than in the preceding year, while State monopolies and export duties (owing to the expected rescission) have rendered less.

Up to 1926/27, the annual residues were added to the State reserves, deposited in Latvijas Banka, thus contributing to the constant increase of these reserves. In the last two years, however, owing to heavy extraordinary expenditure, it became necessary to utilize the budgetary residue, and as further considerable extraordinary expenditure is expected in the course of the next few years, e. g., for constructing new railway lines, a further increase of State sums in Latvijas Banka is improbable. These sums (the State gold fund not included) totalled 79 million lats on January 1 of this year, as against 93·7 millions a year ago.

The new Budget, as proposed for the year 1930/31, has been provisionally approved by the Government at a total of 178·2 million lats. The following table shows the tendency of the Budget, compared with the Budgets of the past two years:

	Lats, in millions	1928/29 = 100
Budget for 1928/29 (with additional budget) . .	207·7	100
„ „ 1929/30 „ „ „ . .	186·5	89·8
„ project for 1930/31	178·2	85·8

Adverse conditions in the past two years necessitated the adoption of an additional budget, which latter was exceptionally large after the bad harvest of 1928/29, which gave rise to various extraordinary expenses, thus abnormally increasing the Budget's total. Ordinary expenditure is quite constant, ranging between 120 and 130 million lats. Therefore, as conditions return to normal and extraordinary expenditure decreases, the Budget's total naturally diminishes. It should be observed that the draft budget for the coming year has been passed on condition that no additional budget is to be accepted later. For this reason, the fundamental budget for this year is larger than in previous years, when it usually amounted to 165 million lats.

The following table shows that there is practically no change in the ordinary section of the Budget, compared with that of the preceding year, while the extraordinary section has decreased in respect of both Revenue and Expenditure:

	Budget for 1929/30	Budget for 1930/31	Index numbers (1929/30 = 100)	
	lats, in millions		for 1929/30	for 1930/31
Revenue:				
Ordinary	173·6	175·0	100	100·8
Extraordinary	12·9	3·2	100	25·0
Expenditure:				
Ordinary	123·3	128·0	100	103·8
Extraordinary	63·2	50·2	100	79·5
Total Budget	186·5	178·2	100	96·0

The Revenue indicated in the draft Budget is doubtless attainable, as proved by the results of former Budgets. The various items of Revenue are enumerated below (in percentages of the aggregate Budget):

	Actual Revenue for 1928/29	Budget for 1929/30	Budget project for 1930/31
Taxes (incl. Customs duties)	48·83	55·16	56·46
Various dues	4·07	4·12	4·66
Monopolies	13·97	15·80	16·55
State property (forests etc.)	8·84	7·96	8·81
State enterprises	7·96	7·87	7·03
Capital and bonds	2·12	1·87	3·95
Inland loans	0·02	0·04	0·01
Foreign loans	11·77	2·03	—
Sundries	2·42	5·15	2·53

Thus, taxes rank foremost with continuously increasing importance as a source of Revenue. They comprise largely Customs duty (55·79%), the remainder consisting of Excise duties 19·70%, Stamp duty 9·34%, direct taxes 15·17% etc. It may be observed that, for this year, the direct taxes have been left in the Budget to the same extent as heretofore, though our financial experts and those

who determine the financial policy of the State are of the opinion that direct taxation should be diminished, as it tends to impede the economic development of the country. By way of encouragement, it is intended to exempt foreign capital from taxation altogether. An important feature of Revenue is the lack of profit on the flax monopoly which, formerly and especially in the first few years of the young Republic, figured prominently as a source of Revenue. It is obvious that, in the conditions prevailing in the flax market, we cannot expect to recover in the coming fiscal year the losses sustained in consequence of the rapid fall of flax prices in the Spring of 1929 and to net a certain profit in addition. It is also not desirable to lower the official prices to growers, as the latter would consider the cultivating of flax no longer remunerative. On the other hand, from year to year, the spirit monopoly is growing more important in the State Budget, and easily renders more than all the direct taxes together.

On the Expenditure side, the principal change is the diminished sum of State credits, as compared with previous years. Hitherto, owing to the lack of private credit, large sums were assigned by Parliament every year for crediting private enterprise. All these credits, together with interests and increments, are included in a special Fund for Economic Reconstruction. From a small beginning, this Fund gradually increased and now it considerably exceeds the normal annual Budget, as the following table of its development shows:

On April 1, 1922	14·8	million lats
„ „ 1, 1923	16·7	„ „
„ „ 1, 1924	30·7	„ „
„ „ 1, 1925	47·8	„ „
„ „ 1, 1926	65·7	„ „
„ „ 1, 1927	89·2	„ „
„ „ 1, 1928	140·9	„ „
„ „ 1, 1929	189·2	„ „
„ November 1, 1929	212·0	„ „

Out of this rapidly growing Fund, large sums have been granted as loans to private enterprise through the medium of the State Land Bank and the Latvian Mortgage Bank, and partly also direct by the Ministry of Finance. And if to these sums we add the credits granted by Latvijas Banka, we find that the total amount of State credits, which is increasing steadily from year to year, has reached a level which is extraordinarily high for local conditions.

State Loans
(lats in millions).

	Latvijas Banka	State Land Bank	State Mortgage Bank	Ministry of Finance	Total
1. I. 1927	134·5	77·6	19·6	9·1	240·8
1. I. 1928	133·9	111·5	25·4	9·7	279·5
1. I. 1929	131·8	144·5	37·3	10·4	324·0
1. I. 1930	147·7	178·9	48·3	23·3	398·2

In the main, the resources for these loans have been acquired from the population in budgetary manner. So far, our State debts have been very small, consisting mostly of obligations incurred during the war of independence. However, since the inceptive period of the Republic, its debts have not increased at all, as the following table shows:

Latvian State Debts.

April 1, 1920	91·6	million lats
„ 1, 1921	97·0	„ „
„ 1, 1922	116·4	„ „
„ 1, 1923	101·1	„ „
„ 1, 1924	98·5	„ „
„ 1, 1925	91·0	„ „
„ 1, 1926	88·6	„ „
„ 1, 1927	86·4	„ „
„ 1, 1928	84·1	„ „
„ 1, 1929	113·1	„ „
January 1, 1930	110·7	„ „

This debt comprises three items viz., the debt to the British Government, amounting to 50·5 million lats, to the Government of the United States of America 28·4 million lats, and the 6% foreign loan, obtained through Swedish medium, amounting to 31·1 million lats. Besides these, there are inland loans for the very small sum of 0·7 million lats.

By collecting the resources for loans from the country's own population, the Government effected a certain re-grouping and re-distribution of private resources, thus promoting the process of economic resuscitation all over the country. But such a financial policy leads unavoidably to an increasing indebtedness of the population to the State. The more such State credits are augmented by resources obtained in budgetary manner, the greater will be the demand for new credits, and the indebtedness of private economy to the State will increase continuously. It is gratifying to register the growing appreciation of this point of view, which is doubtless responsible for the considerable restriction of credits in the draft Budget. It is admitted that, in prevailing conditions, there is no necessity for large loans for erecting new houses in the country, as most of the new farms already have the necessary buildings. It is also deemed undesirable to distribute large credits to small farmers and to the landless population for purchasing land, as new farms are often in economic straits. The loans to dairies have also been restricted, as the dairies are often too near one another and consume such small quantities of milk that their exploitation is hardly profitable. A sudden cessation of State credits would not be advisable, as this would cause complications; but it is already a real achievement that we are able gradually to limit these credits, with a view to their ultimate cessation.

Private Credit Institutions.

There were no important changes in the Latvian money market last year, as the general conditions were the same as before. The dearness of credit which characterized the international market had practically no effect on Latvia, owing to the small amount of this country's obligations abroad. Nonetheless, a certain efflux of foreign short term capital was noticeable and, since the last issue of the Latvian Joint-Stock Bank, which was realized at the beginning of the year, there have been no large investments of foreign capital in the shares of our banks.

The general demand for credit continues in the money market. The offer does not cover the demand entirely, though credit has always been obtainable for current short term operations. There is a great demand for long term and private (not commercial) credits, which our inland resources cannot cover. These resources are limited and the credits consist principally of State loans totalling about 400 million lats (of which sum not more than 25 million lats have been taken from private deposits) and of the loans granted by private credit institutions out of their own collected resources (capital and deposits) totalling about 160 million lats. All other inland resources and foreign capital are, almost without exception, invested in particular enterprises for longer periods.

Compared with their resources, the number of credit institutions is abnormally large. The endeavour to concentrate bank-capital, so as to rationalize activities, as is done in countries with highly developed capitalism, has not yet been accomplished in this country. No new credit institutions have been founded in Latvia lately, as the would-be founders lack the necessary large amount of personal resources, and the Latvijas Banka no longer grants credits to such new enterprises as it did formerly, during the period when it was necessary to promote the reconstruction of credit institutions. The number of joint-stock banks and other large credit institutions dit not increase at all during the past year. Only the small credit institutions increased by 13, which accounts for the increase of the total number of Latvian credit institutions to 661, whereby of all these institutions in operation about 90% are small loan and savings banks.

The number of credit institutions in existence is, undoubtedly, too large, in the conditions obtaining in Latvia, and this has an unfavourable effect on the development of credit. The keen competition among the credit institutions is not conducive to a lowering of the rates of interest. On the contrary, it tends to augment the rates of interest, inasmuch as the percentage of administrative expenditure is much higher in the credit institutions with small returns and, furthermore, much of the unnecessary expenditure of these institutions could be avoided if there were only a reasonable minimum number of credit institutions operating in this country. A smaller number of credit institutions, organized on a larger scale with the same aggregate resources at present in use, would be in a far more favourable position, as their current and other expenditure would be less and they would be able to appropriate a larger percentage of profit for augmenting their capital. But in prevailing conditions, the abnormally high intermediary rate is essential to our credit institutions for getting only a moderate

profit out of their operations. Very little progress can be made in the various branches of our economic life, if they have to pay 12% and even more for credit. And the credit institutions which charge that high intermediary rate (up to 5%) also cannot prosper, their scope of activities being limited. In these circumstances, it is obviously necessary to lower the intermediary rate and to concentrate the resources of our credit institutions in order to rationalize their activities.

The activities of our credit institutions revealed a more rapid development last year than in the two preceding years, as is evidenced by the increase of the aggregate balance sheet by 20%, as against 6% and 14% respectively in the two preceding years. The increase of deposits in the credit institutions is a surprising feature, considering the economic difficulties of the past year. The increased deposits and the augmented credits of Latvijas Banka replenished the funds at the disposal of the credit institutions and enabled them to increase considerably the total amount of loans granted. This may be ascribed, in part, to the decrease of State sums in Latvijas Banka. For, the increase of State expenditure released a portion of the Bank's resources into private hands, and in some cases it was possible to deposit these sums in the credit institutions. This stimulated the development of credit institutions, which had become slower in recent years. But this development is not always sound, as some credit institutions are not cautious enough in their operations with credits and securities, which naturally leads to losses. On the whole, however, our credit institutions are operating normally and their position is growing firmer.

The following aggregate balance sheet portrays the development of all Latvian private credit institutions. In the absence of the final report for the past year, the results of the monthly balance sheets on January 1 are shown here. In respect of the small loan and savings banks the calculation is based on the particulars of their recent development. The data for the preceding year are based on the same principle.

Balance of Private Credit Institutions on January 1.

Assets (lats, in millions).

Accounts	1929	1930	Difference	Difference in %
Cash	6·8	8·2	+ 1·4	+ 21
Current accounts in the Latvijas Banka	3·8	3·9	+ 0·1	+ 3
„ „ „ other cred. institutions	4·1	5·4	+ 1·3	+ 32
Foreign currency	7·2	9·0	+ 1·8	+ 25
Bonds	4·7	5·0	+ 0·3	+ 6
Discounted bills	87·9	106·0	+ 18·1	+ 21
Loans	67·1	93·2	+ 26·1	+ 37
Special current accounts	52·9	60·5	+ 7·6	+ 14
Commercial credits	2·7	3·6	+ 0·9	+ 33
Correspondents	21·0	23·1	+ 2·1	+ 10
Protested bills	1·8	1·8	0·0	0
Real property	19·8	20·8	+ 1·0	+ 5
Sundries	31·0	33·3	+ 2·3	+ 7
Total	310·8	373·8	+ 63·0	+ 20

Liabilities (lats, in millions).

Accounts	1929	1930	Difference	Difference in °/₀°/₀
Capital	46·5	48·1	+ 1·6	+ 3
Reserve fund and special reserve	8·3	9·7	+ 1·4	+ 17
Fixed deposits	12·0	15·5	+ 3·5	+ 29
Net demand deposits	14·3	17·8	+ 3·5	+ 24
Current accounts	70·5	86·8	+ 16·3	+ 23
Rediscount in the Latvijas Banka	43·5	46·5	+ 3 0	+ 7
„ „ other credit institutions	9·3	13·4	+ 4·1	+ 44
Loans and special current a/c.	31·6	44·5	+ 12·9	+ 40
Correspondents	27·1	29·6	+ 2·5	+ 9
Sundries	47·7	61·9	+ 14·2	+ 30
Total	310·8	373·8	+ 63·0	+ 20

The increase of resources in use corresponds to the increase of the aggregate balance sheet by 20°/₀ in the past year. The capital of the banks, their deposits and the loans received may be considered as their resources, excluding correspondents' accounts which are of a too indeterminate character in our private credit institutions. The increase of their own capital from 55 to 58 million lats or by 5°/₀ was very moderate last year, as also in the preceding year (6°/₀). The aggregate capital of joint-stock banks even decreased, owing to the fact that one such bank wrote off its bad operations of previous years as a loss, thus diminishing its stock capital by 50°/₀.

Deposits, on the other hand, developed satisfactorily, having increased from 97 to 120 million lats or by 24°/₀, as against 17°/₀ in the preceding year. Fixed deposits have increased most rapidly of late, though in percentage only, their total being still very small. It would seem as if the public is still disinclined to bind its resources in the banks for longer periods, but prefers to have the money in safekeeping on current account or in the form of net demand deposits with booklets. The additional interest of 1—2°/₀ paid by the banks on fixed deposits is not sufficient to encourage people to make such deposits.

The private credit institutions also derived a considerable increase of resources from the loans which they received principally from the Latvijas Banka. The aggregate loans received during the year increased from 84 to 104 million lats or by 24°/₀, as against an increase of not more than 11½°/₀ in the preceding year.

Classifying the resources of private credit institutions into such as are collected by themselves (capital and deposits) and such as are collected by others (re-discount and loans in other credit institutions), we find practically no change in the percentage of these two groups. The significance of other people's resources has increased in joint-stock banks, while all the other credit institutions have become more independent of such resources. The average percentage of their own collected resources in our credit institutions totals 63°/₀, and the percentage of resources collected by others 37°/₀. The loan and savings banks, where the own collected resources represent only one-half of the total, are the least independent.

Groups of credit institutions	Own collected resources				Means from other sources			
	1. I. 1929		1. I. 1930		1. I. 1929		1. I. 1930	
	Ls, in mill.	%/%	Ls, in mill.	%/%	Ls, in mill.	%/%	Ls, in mill.	%/%
Joint-stock banks	76·7	74	83·9	67	27·3	26	42·2	33
Exchange and town banks	13·2	69	16·5	75	6·0	31	5·5	25
Town and comm. savings banks	3·4	85	4·8	62	0·6	15	0·7	38
Mutual credit societies	19·7	67	25·0	69	9·7	33	10·9	31
Loan and savings banks	38·6	49	47·7	51	40·8	51	45·1	49
All credit institutions	151·6	64	117·9	63	84·4	36	104·4	37

In regard to the employment of resources, we observe that the increase of aggregate resources amounting to 46 million lats corresponds to the increase of aggregate credits granted by the credit institutions by 53 million lats or by about 25%.

Balance of Private Credit Institutions 1st January
(lats, in millions).

Accounts	Joint-Stock Banks		Exchange and Town Banks		Communal Savings Banks		Mutual Credit Societies		Loan and Savings Banks	
	1929	1930	1929	1930	1929	1930	1929	1930	1929	1930
Assets.										
Cash	3·8	3·9	0·6	1·8	0·1	0·0	1·0	1·3	1·3	1·2
Current a/c. in the Latvijas Banka	2·1	1·7	0·1	0·1	0·1	0·2	0·7	1·1	0·8	0·8
„ „ „ other cred. instit.	1·3	1·3	0·0	0·0	0·3	0·7	0·5	0·8	2·0	2·6
Foreign currency	5·8	7·3	1·2	1·5	0·1	0·0	0·1	0·2	0·0	0·0
Bonds	3·0	3·5	0·3	0·2	0·0	0·0	0·7	0·6	0·7	0·7
Discounted bills	36·9	44·6	8·1	9·0	1·8	2·3	18·1	21·7	23·0	28·4
Special current accounts	55·7	77·4	5·0	6·1	0·6	0·6	3·9	6·0	1·9	3·1
Loans	2·0	2·2	2·6	3·0	0·8	1·3	1·7	1·5	45·8	52·5
Commercial credits	2·7	3·6	—	0·0	—	—	0·0	—	—	—
Correspondents	16·5	16·6	3·6	5·2	0·2	0·2	0·5	0·5	0·2	0·6
Protested bills	0·3	0·3	0·0	0·0	0·0	0·0	0·3	0·2	1·2	1·3
Real property	9·6	9·1	1·0	1·8	0·3	0·3	3·9	4·3	5·0	5·3
Current expenditure	3·1	3·4	0·6	0·6	0·1	0·1	1·0	1·2	5·7	6·0
Sundries	14·4	17·1	3·0	1·7	0·2	0·2	2·9	3·0		
	157·2	192·0	26·1	31·0	4·6	5·9	35·3	42·4	87·6	102·5
Liabilities.										
Capital	30·1	28·7	2·4	2·6	0·3	0·5	3·4	4·1	10·3	12·2
Reserve fund and special reserve	1·5	1·9	0·4	0·5	0·0	0·0	2·3	2·6	4·1	4·7
Fixed deposits	2·9	3·3	1·1	1·5	0·8	1·1	2·4	3·4	4·8	6·2
Net demand deposits	1·1	1·3	0·2	0·1	1·7	2·5	1·2	1·0	10·1	12·9
Current accounts	41·1	48·7	9·1	11·8	0·6	0·7	10·4	13·9	9·3	11·7
Rediscount in the Latvijas Banka	11·7	12·7	3·7	3·4	0·5	0·6	7·3	8·2	20·3	21·6
„ „ other cred. inst.	7·4	11·0	0·2	0·1	0·0	0·0	0·1	0·3	1·6	2·0
Loans and spec. current a/c.	8·2	18·5	2·1	2·0	0·1	0·1	2·3	2·4	18·9	21·5
Correspondents	22·1	22·9	3·4	4·7	0·0	0·0	1·4	1·5	0·2	0·5
Interest and commission	8·3	9·4	2·0	2·3	0·4	0·2	2·7	3·4	8·0	9·2
Sundries	22·8	33·6	1·5	2·0	0·2	0·2	1·8	1·6		
	157·2	192·0	26·1	31·0	4·6	5·9	35·3	42·4	87·6	102·5

The aggregate credits increased by 9% only, in the preceding year. All the principal forms of credits increased more or less during the past year. The aggregate credits of our private credit institutions involved a sum of 263 million lats on January 1 of the current year. Deducting therefrom the loans received from Latvijas Banka or from other credit institutions, amounting to 104 million lats, we find that the actual sum of private short-term credits in Latvia was nearly 160 million lats last year. The increase of the other items of the aggregate balance sheet of our credit institutions is too small for special consideration here.

The above table illustrates the development of operations of the different groups of credit institutions. The activities of the joint stock banks were the most intensive, these banks having acquired a large amount of new resources in the form of loans, deposits etc. With the help of these resources the joint stock banks were able to augment their credits. The increased activities augmented the ordinary gross profit of these banks more than they did the current expenditure, and if the loss on operations is not bigger than in the preceding year, the aggregate net profit of these banks will increase.

The Exchange and Municipal Banks too have augmented their credits, for which purpose they employed their own collected resources. The increase of loans granted by the mutual credit societies and by loan and savings banks was effected more with their own collected means than with other resources, whereby the mutual credit societies presented a larger increase of loans than the loan and savings banks.

Judging from the monthly balance sheets, our credit institutions rendered, in general, somewhat better results last year than in the preceding year.

Agriculture.

As they lacked the necessary plant, seeds, capital and working hands, our farmers did not cultivate all their fields in the first few years after the war. And yet the fact remains that our agriculture made rapid progress during the period 1920—1922. The cultivated area increased from year to year, additional livestock and implements were acquired, new farmhouses were erected, old structures repaired and several thousands of new farms were established. The first post-war years were still under the influence of war prices. Agricultural produce of all kinds fetched high prices. Consequently, production was profitable. Soon however, as conditions returned to normal, the prices of grain and other agricultural produce began to fall rapidly. There was soon a superfluity of agricultural produce in the world market. On the other hand, the wages of agricultural labourers increased, and so did the State and communal taxes. This led to a steady increase in the indebtedness of farmers. So far, the situation has been such that an improvement sets in when prices rise, but conditions are again bad when prices fall. In such circumstances there cannot be a return to normal conditions.

The effects of the flood and the bad harvest of the year 1928 left their mark upon our agriculture last year. For every great shock has a far-reaching influence on agriculture. Therefore, if in the year 1928 the summer crop and the meadows suffered from the flood, in the following year the winter crop could not escape the consequences. However, it must be admitted that the disastrous conditions of the year 1928 would have had a still greater effect on our agriculture last year, if the Government had not rendered prompt assistance to the farmers. In the first place, this took the form of a reduction and even a partial remission of taxes. Consequently, the taxes paid by the farmers in 1928 and partly in 1929 were decidedly less extensive than in normal conditions. Besides diminishing the taxes, the Government did the utmost to promote agriculture in general. Steps were also taken to alleviate the burden of State dues. But principal assistance was granted to the farmers during the sowing period, when they were supplied with the necessary seeds almost to the full extent. Without this assistance, numerous fields would not have been cultivated, or otherwise with seed of inferior quality. And so, almost without exception, our farmers were supplied with good, selected seeds of uniform quality. This will naturally have a favourable effect on our agriculture.

The aggregate cultivated area increased in 1929: (See on page 47.)

The pre-war area of rye has not yet been recovered. During all the post-war years the area under rye has been from 25 to $33^1/_3\%$ smaller than the average of the years 1909—1913. The area cultivated with oats and barley is smaller than before. On the other hand, the area cultivated with wheat and peas is much larger than in pre-war years, owing to the import duty on these cereals, the prices of which have increased in the local market too. The cultivating of wheat and peas is more profitable to our farmers than that of the other cereals, especially barley, the area of which is smaller than before the war, while its

The Cultivated Area
(ha, in thousands).

	Bread corn			Other corn					Potatoes	Flax
	Rye	Wheat	Total	Barley	Oats	Mixed corn	Peas	Total		
1909—1913	350·7	32·6	383·3	191·0	305·9	—	23·3	520·2	79·6	69·6
1920—1922	219·9	20·9	240·8	142·2	246·9	47·0	26·9	463·0	59·0	43·1
1923—1925	266·4	44·6	311·0	178·0	324·4	69·5	38·1	610·0	77·8	65·0
1926	251·3	49·5	300·8	190·3	320·8	66·2	38·2	615·5	82·1	63·8
1927	256·3	58·7	315·0	185·3	305·2	67·7	36·6	594·8	85·5	63·2
1928	257·6	66·5	324·1	146·3	238·6	73·9	30·1	458·8	78·3	68·7
1929	238·9	58·7	297·6	182·7	302·2	46·6	28·1	559·6	82·6	55·8
In percentage 1909—1913 = 100.										
1920—1922	62·7	64·4	62·8	74·5	80·7	—	115·4	89·0	74·1	49·0
1923—1925	75·9	136·8	81·2	93·1	106·0	—	163·5	117·2	97·7	93·3
1926	71·6	151·8	78·5	99·7	104·9	—	163·9	118·3	103·1	91·6
1927	73·0	180·0	82·1	97·0	99·8	—	157·1	114·4	107·4	90·8
1928	73·5	240·0	84·6	76·6	78·0	—	192·2	88·2	98·4	98·7
1929	68·1	180·0	77·6	95·7	98·8	—	120·6	107·6	103·7	80·2

import is considerable. The foreign quotations of rye have a depressing effect on the local price. Consequently, it is not profitable to grow rye. In fact, its cultivation even entails losses, owing to the present cost of agricultural labour.

The sowing conditions for winter crops were very unfavourable in 1928. The cultivating of the fields hat to be delayed for climatic reasons. In the lowlands it was impossible. Therefore, the area of rye decreased by 7·3% and that of wheat by 2·8%, as compared with the preceding year. The area of mixed corn also decreased, as against 1928 when mixed corn was used as fodder. In the normal climatic conditions of the year 1929 there was no necessity to utilize fields in such a manner and, owing to the lack of mixed corn seed, its area decreased. The area cultivated with peas decreased in 1929, as was also the case in recent years, owing to humidity and the insufficient harvest of peas. The flax area decreased by 19% in 1929. In fact, there has been no tendency towards developing the cultivation of flax in recent years. It attained the postwar maximum in 1925, whereupon it receded, but increased again in 1928. The flax acreage has always depended on flax prices. Its cultivation is stimulated by a rise of prices, but farmers take up other branches of agriculture as soon as prices fall. In the first few years after the war when flax prices were exceptionally high, its cultivation was profitable to farmers and its sale rendered large Revenue to the Treasury. In recent years, however owing to the fall of prices and the unsettled state of the flax market, interest in its cultivation has waned. But considering that flax is one of our principal export articles, it is necessary to promote its cultivation. The instability of prices forms the principal obstacle. Therefore, in order to stabilize conditions and enable farmers to make a more precise estimate of the possible income from flax, it has been proposed to fix the prices by law

for a year. In this way, it is hoped to encourage farmers to grow flax. It is also intended to promote the cultivation of flax in various other ways, by improving the methods of production and treatment. The area cultivated with barley increased by 24·9% in 1929, the area of oats increased by 21·4% and that of potatoes by 5·5%.

Conditions were conducive to the satisfactory growing and harvesting of crops in 1929. Consequently, the yield was a good one last year. The harvest of rye exceeded not only the yield of rye of the year 1928, but even that of the year 1927. On the other hand, the harvest of winter wheat was less satisfactory than in 1927 and 1928. The yield of summer crops was, on the whole, much better in 1929. The yield of barley, in particular, was two and a half times larger than in the preceding year and attained a post-war maximum. The same may be said of oats. Although the potato crop did not attain the maximum of 1926, it was nevertheless two and a half times larger than in 1928. The yield of flax and linseed was better than in the preceding two years. As both the cultivated area and the average yield per hectare increased, the aggregate returns increased too.

The Yield of Produce
(tons, in thousands).

	Bread corn			Other corn					Potatoes	Flax	Linseed
	Rye	Wheat	Total	Barley	Oats	Mixed corn	Peas	Total			
1909—1913 . .	325·4	38·5	363·9	172·8	279·0	—	17·9	469·7	638·5	30·2	25·4
1920—1922 . .	180·7	19·3	200·1	118·5	207·1	44·3	23·8	393·7	574·6	13·5	13·6
1923—1925 . .	162·7	48·9	311·6	156·9	271·0	68·4	31·8	528·1	668·2	25·1	23·0
1926 . . .	155·4	50·6	206·0	188·6	275·9	68·0	34·9	567·4	1,013·5	25·3	24·7
1927 . . .	258·8	71·7	330·7	130·1	177·2	57·1	26·5	390·9	717·4	18·6	16·6
1928 . . .	214·9	68·1	273·0	71·3	145·7	47·7	14·5	279·2	314·0	10·4	14·6
1929 . . .	241·3	63·6	304·9	213·6	343 0	57·6	34·7	648·9	1,125·7	22·3	24·2
In percentage 1909—1913 = 100.											
1920—1922 . .	55·5	50·1	54·5	68·5	74·2	—	132·9	83·8	89·9	44·7	53·5
1923—1925 . .	80·7	127·0	85·6	90·7	97·1	—	177·6	112·4	104·6	83·1	90·5
1926 . . .	47·8	131·4	56·6	109·1	98·8	—	194·9	120·8	158·7	83·7	97·2
1927 . . .	79·5	186·2	90·8	75·2	63·5	—	148·0	83·2	122·3	61·5	65·3
1928 . . .	66·0	176·9	75·0	41·3	52·2	—	81·0	59·4	49·1	34·4	57·5
1929 . . .	74·2	165·2	83·8	123·6	122·9	—	193·9	138·2	176·3	73·8	95·3

The aggregate harvest in 1929, wheat excepted, exceeded that of the preceding year. The total yield of rye increased by 12·3% and that of barley even by 200%. In respect of the latter, the maximum was attained, exceeding the pre-war average and all the results of post-war years. The harvest of oats increased by 135%, as compared with the preceding year, and not only surpassed the pre-war level but presented a post-war maximum. It is interesting to observe that although the area cultivated with mixed corn decreased perceptibly in 1929, its aggregate yield

increased by 21%. Similarly, the area of peas decreased, while the peas crop increased by 140%. In the latter connection, it may be observed that the harvest of 1928 was exceptionally bad, but better results were registered last year. The total harvest of potatoes increased by 260%, and was about 200% more than in any year before the war. In fact, last year's yield of potatoes was the post-war maximum. The flax and linseed crops increased last year, though the cultivated area was much smaller than in the preceding year.

In general, the aggregate yield of agricultural produce increased extraordinarily in the past year. The aggregate value of agricultural output also increased, this value of course being dependent not only on the quantities produced but also on market prices. In the latter connection, it may be observed that while the volume of production increased last year, prices fell in comparison with the years 1927 and 1928. For this reason, the increase of the aggregate value of the crops was not so large as it would have been if prices had been firm. The total value of the yield of the eight principal products has been decreasing gradually since 1926: In the year 1925, for example, the aggregate value of these products was 339·4 million lats, whereupon it declined to 283·1 million lats in 1926; 273·6 millions in 1927 and 245·8 millions in 1928. Last year, however, the value of our agricultural produce increased by 33% and totalled 327·2 million lats. The value of the yield of rye, wheat and peas decreased, while that of the other agricultural products increased, especially that of potatoes. In local conditions, it often happens that the estimated value does not correspond with the actual commercial returns. In disposing of the harvest of 1929, our farmers had to contend with the same differences in price as in former years. In autumn, when the corn was bought by various co-operative organizations and private firms with the help of State credits for the requirements of the Latvian Commissariat, prices were rather high. But the Commissariat is able to absorb only a limited portion of the harvest of barley and oats. Finally, the lack of money forces the farmers to sell grain of good quality at low princes. As a rule, the breweries buy the necessary large quantities of barley abroad, where they obtain the same on credit and in large consignments of uniform quality. In general, except in the case of wheat, there is no protective duty on grain, the prices of which depend on open competition in the international market, whereby in some countries the export of grain is promoted by special premiums. The hope of successfully regulating the inland grain market with the help of local economic organizations and State institutions has not been realized. Although the harvest returns were satisfactory last year, they did not contribute much to the economic welfare of our farmers, for in spite of the increased harvest the prices of agricultural products were low. Consequently, the remunerativeness of agriculture was just as low as in the years of bad crops. In these circumstances, it is becoming obvious that radical measures will have to be adopted to ensure farmers working without losses.

In local conditions, the development of agriculture is possible only by means of a rational combination of cereal culture with stock farming, as these two branches are complementary to each other. Therefore, especially in recent years, our farmers have been paying much attention to cattle breeding and dairying.

Livestock.

Years	Horses	Cattle	Sheep	Pigs	Horses	Cattle	Sheep	Pigs
	in thousands				1913=100			
1913 . . .	320·0	912·0	996·0	557·0	100·0	100·0	100·0	100·0
1914 . . .	261·0	768·0	978·0	481·0	81·6	84·2	98·2	86·4
1921 . . .	282·5	799·5	1,132·0	482·0	88·3	87·7	113·7	86·5
1922 . . .	303·0	810·5	1,161·5	402·0	94·7	88·9	116·6	72·2
1923 . . .	341·2	910·9	1,488·2	487·3	106·6	99·9	149·4	87·5
1924 . . .	340·2	905·0	1,235·0	458·0	106·3	99·2	124·0	82·2
1925 . . .	351·9	915·8	1,181·6	497·1	110·0	100·4	118·6	89·2
1926 . . .	365·0	955·0	1,152·0	521·0	114·1	104·7	115·7	93·5
1927 . . .	369·3	966·6	1,127·5	534·6	115·4	106·0	113·2	96·0
1928 . . .	365·2	960·6	1,090·4	535·0	114·1	105·3	109·5	96·1
1929 . . .	359·6	975·1	899·9	387·7	112·4	106·9	90·4	69·6

On the whole, the number of livestock has increased, though there have been occasional setbacks, as, for example, in the year 1928 when the harvest of fodder was so small that farmers had to sell a part of their livestock. For this reason, the number of livestock was smaller in 1929 than in the preceding year. The number of sheep has been decreasing since 1923, owing to the very small margin of profit rendered by sheep farming. The number of horned cattle is increasing generally, parallel to the rapid development of dairying in Latvia. This is particularly noticeable when comparing the more rapid increase in the number of milch cows with the slower increase of other horned cattle. The export of cattle is negligible. A fairly large number of heads was exported to the Soviet Union in 1928, but this branch of export decreased again last year. The number of pigs increased rapidly up to the year 1928, owing to the good prospects of exporting bacon. But this number decreased perceptibly last year. In the first place, this was due to the bad harvest of 1928 with the resultant lack of fodder, and secondly, — to the sudden fall of bacon prices, which naturally discouraged Latvian producers. The export of bacon and meat decreased by about eighty percent in 1929. The number of horses also decreased last year, owing to the shortage or forage.

Dairying is the only branch of agriculture wich has been making rapid progress and rendering substantial profit to our farmers in recent years. The production of butter has increased remarkably during the past five to six years, and it has grown considerably lately. Naturally, the production of butter depends on export prospects. The importance of the German butter market has been growing, parallel to that of the London market in recent years. The consumption of butter has been increasing rapidly in Germany, in connection with the return to normal economic conditions in that country. Consequently, the import of butter into Germany is very extensive. And in conjunction with the large demand, the prices of butter have grown firmer. The export of Latvian butter increased by 12% last year, and rendered a total of 58·6 million lats. The greater part of our butter is sent to Germany. Grave doubts arose in the second half of the year as to the prospects of butter export to Germany, owing to the latter country's

decision to double the import duty on butter, so as to promote domestic production. However, as German dairying will surely not be able to cope with the entire inland demand, Germany will be obliged to continue importing butter as heretofore. Although no definite forecast of the butter trade may be made, it may nevertheless be assumed that the steady improvement of economic conditions will lead to an increased consumption of butter, and the countries which have been importing this commodity will continue to do so in the future. We may, therefore, reasonably expect some progress in our dairy industry in the near future, and even if this progress is not so rapid as hitherto, the fact remains that dairying is and will continue to be one of the most profitable branches to our farmers, to whom it will be a permanent source of income.

The wages of agricultural labourers were slightly higher in 1929 than in the preceding year, but on the whole they did not attain the level of 1927. And yet, compared with pre-war wages, there is a very great difference. For, in the first place, the farmers have to pay higher wages to-day, and, in the second place, the work done is less and of a lower standard than before the war, so that in reality the wages are more than double the pre-war scale.

On the whole, the year 1929 was not an easy one for our farmers. The scarcity of money and the resultant difficulties in meeting engagements were almost as perceptible as in the preceding year. Various facilities had been granted in the paying of taxes, debts etc., in 1928, but no such allowances were made in the year 1929.

Industry.

The significance of our industries in the balance of foreign trade is revealed by their development and by the extent of production for export. Therefore, let us compare the data concerning the export and the import of manufactured goods.

The turnover of manufactured goods in our foreign trade returns is increasing from year to year:

	Import	Export	Difference
	(lats, in millions)		
1927	113·1	46·9	—66·2
1928	136·9	67·9	—69·0
1929	152·2	89·9	—62·3

We observe that, in the space of two years, the import of manufactured goods increased from 113·1 to 152·2 million lats, whereby last year's increase amounted to 15·3 millions or 11·2%. At the same time, an increase in the export of manufactured goods is also registered, viz., from 46·9 million lats in 1927 to 89·9 millions in 1929, whereby last year's export of manufactured goods showed an increase of 22·0 million lats or 32·5%. And comparing the import and the export increases in respect of manufactured goods, we find that the export-increase was larger both absolutely and in percentages, in the year 1929.

The growth of the trade in manufactured goods may be ascribed to the singular position of our industries. For, in order to enable our industries to produce such manufactures as are demanded in the local market, and to execute orders received on strength of the commercial treaty with the Soviet Union, we have to import a quantity of raw materials.

In spite of various difficulties, it is gratifying to note that, as in previous years, our industries continued last year to widen the scope of their activities, opening new branches and improving the methods of production. Last year, Latvian industry was handicapped by financial difficulties, capital being scarce and expensive. The insufficiency of markets greatly impeded the development of our industry in the past, but last year our manufacturers not only searched for new markets, but also paid more attention to the internal market. By restricting imports, it would doubtless be possible to augment the turnover of our industries. This applies in particular to the textile industry. No new industrial branches of any great importance have been established lately, but in some of the existing branches several important enterprises have been established, especially textile and veneer factories.

Both the local and the foreign capital invested in our industry showed an increase last year. In the first place, this is noticeable in the match industry, in

which the Swedish Match Syndicate has invested a large amount of capital, based on the treaty concluded in 1928. Secondly, the Estonians made further investments in our textile and veneer industries last year. And towards the close of the year, steps were taken to increase considerably the capital of some of our rubber factories with the help of large sums from abroad.

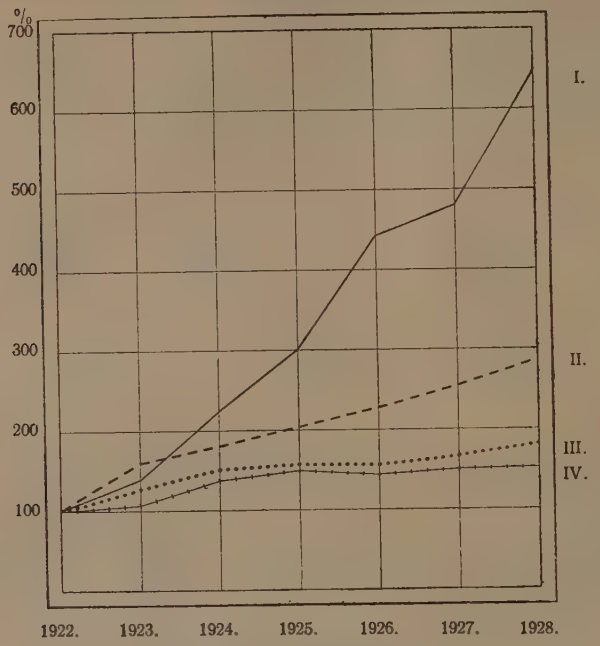
The following table illustrates the development of Latvian industry in the past year:

Branches of Industry	Number of enterprises		Number of workers		Value of output (lats, in millions)	
	1927	1928	1927	1928	1927	1928
I. Quarries	5	5	500	292	0·3	0·3
II. Ceramic industry, stone goods and adhesives	99	97	3,181	3,581	7·5	9·0
III. Metal and machine industry	285	286	8,603	9,467	28·6	38·8
IV. Chemical industry	93	91	3,975	4,579	43·3	50·2
V. Leather industry	47	51	881	959	11·8	14·9
VI. Textile industry	272	251	6,782	7,702	33·9	40·0
VII. Woodworking industry	293	288	11,525	12,875	61·7	49·2
VIII. Paper industry	29	31	2,438	2,612	14·3	17·8
IX. Polygraphic industry	125	129	2,498	2,486	12·9	14·7
X. Foodstuffs and delicacies	1,331	1,381	7,876	7,989	102·0	123·1
XI. Clothing workshops, shoe-mak. and toilet art.	128	126	2,497	3,026	11·4	16·2
XII. Building	86	76	1,300	1,175	5·0	4·6
XIII. Gas, electricity and water-works	46	58	729	835	11·3	12·8
XIV. Hygiene	14	17	225	240	0·3	0·4
Total	2,853	2,887	53,010	57,818	344·3	392·0

The table shows that the number of enterprises increased by not more than 34, while the number of hands employed increased by not less than 4808, thus attaining 57,818. The average number of workers per enterprise increased from 18·6 to 20·0. Steady progress is being made year by year in the concentrating of our industry.

The aggregate value of our industrial output increased last year by 47·7 mill. lats or 13·9%, having attained the sum of 392·0 millions. The increase of the value of output is considerable; however, it should be observed that these figures represent the gross value of output, including the value of raw materials consumed in the process of manufacture. Some very expensive raw materials were employed in producing some of our manufactured goods in the year 1928. Undoubtedly, this had a marked effect on the aggregate value of output.

The Development of the Latvian Industry in %% as against 1922.



I. Export of manufactured goods.
II. Value of manufactured goods.
III. Number of hands employed.
IV. Number of enterprises.

Ceramic Industry, Stoneware and Adhesives.

This branch of industry developed rapidly in previous years, then came a critical period which, however, was followed by a return to brisker activities last year. Brick kilns and factories producing glassware, porcelain and common chinaware are the largest enterprises of this industry. The number of hands employed in the glass factories (altogether 1300 workers at present) increased last year, in connection with Government orders for bottles (for the Spirit Monopoly). The export of glassware increased by nearly 100%, especially to the Soviet Union. The output of our glass industry could still be considerably increased for local requirements, considering that at present the import of glassware (articles of higher quality) exceeds the export of the home-product threefold. The import of glassware remained unchanged during the past two years.

Before the war, our brick industry was busily engaged turning out bricks for the building of houses in Riga. After the war, owing to the cessation of

building operations, our brick industry was perforce idle for some time. Gradually, however, it began to revive. At the beginning, much hope was laid on export, and relations were established with Finland and other countries. Last year too, there were negotiations with a view to exporting bricks to the United States of America. These hopes were not fully realized and, in the end, the increased activities in our brick industry was promoted only by our own increased housebuilding. The brick kilns employ about 1500 hands. The earthenware, porcelain and chinaware industry works almost exclusively for the internal market. This branch of industry also presented an increase last year, which could be even more considerable, considering the large import of porcelain and common china.

The cement factories show an increase both in regard to the number of hands and to their activities. Nevertheless, they cannot cope with the entire local demand, which has grown in conjunction with brisk building operations. Consequently, the import of cement is increasing perceptibly. The lime and chalk factories work for local requirements only. The gypsum factories increased their turnover to double the extent last year, with a corresponding increase of the number of hands employed. The export of gypsum (to Sweden and Finland) increased by 10%.

In general, these industrial enterprises employ but a small number of hands (averaging 36 per enterprise), and they work with inland capital. These enterprises were in existence before the war, especially the porcelain and china factories, brick kilns etc., and have been reconstructed since the war. The capital invested in this branch is smaller than in other industries, and no fresh capital of any importance was added last year.

Metal and Machine Industry.

This branch showed a considerable increase of activities last year. The number of hands employed and the turnover presented an increase, which may be ascribed partly to the commercial treaty with the Soviet Union. The export of machines, metal goods and vehicles increased substantially. Whereas in previous years there was no export of railway wagons from Latvia, such wagons were exported last year for a sum of 6·7 million lats (170 wagons). Similarly, the export of bicycles in the past two years developed satisfactorily. At the same time, however, the export of certain products of this industry decreased, viz., wire, wrought iron and like articles, which used to be exported to the Soviet Union formerly for large sums. The characteristic feature of this industry, especially in the metal and machine branch, is the absence of a permanent market and the resultant casual character of orders. Whereas, one year, a certain article is exported for a large sum, there are no orders for that particular article a year later, and the industry has to take up the manufacture of some other article.

The largest number of hands is employed in railway workshops, which are engaged mostly in repair-work. These workshops are run by the Ministry of Communications. Practically the same number of hands is employed in the factories which produce industrial and agricultural machines. The export of agricultural machinery last year showed no marked change compared with the preceding year.

Such machinery is exported principally to the Soviet Union, Lithuania and Estonia. In consequence of the orders received from the Soviet Union, the wagon factories augmented their activities considerably last year. However, parallel to the increased export of metal goods and vehicles, their import increased too. In the year 1929, the import of wrought metal increased by 2·2 million lats or 23%, having attained 11·8 millions. Some of the metal parts have to be imported from abroad for the manufacture of certain articles on the spot.

Besides the progress registered in the export-producing branches of the metal industry, we also observe an increase in the number of hands employed in the enterprises catering for the local market. Such satisfactory development is registered in the following branches, inter alia: automobile repair-shops, bicycle workshops, enterprises making telegraph, telephone and radio apparatus, electric and galvanoplastic implements and other similar undertakings. In all of these undertakings the number of workers increases from year to year (by 20—40% in 1929). These undertakings are in an even more secure position than the export-producing branches, as the latter cater for unstable foreign markets, and though they have the benefit of cheap credits, the fluctuating market conditions call for greater elasticity in their operations.

Foreign capital is also invested in the metal industry, and is mostly of German and Old Russian origin. The greater part of this capital was invested before the war, so that since the war it has only been amplified and adjusted to meet the altered conditions. No new foreign capital of importance was invested in this industry last year.

Chemical Industry.

This branch of local industry has been making satisfactory progress and its products are exported to a considerable extent. Prominent in this branch are the factories making rubber goods, matches, linoleum, dyeing materials, fertilizers, oil, grease and bone dust. The rubber industry has developed rapidly in recent years, especially in the manufacture of galoshes. Three factories engaged in the manufacture of rubber goods employ about 2500 persons, and it is noteworthy that the rubber industry caters not only for the growing inland requirements but also to a large extent for export purposes as well. The export of rubber goods increased constantly until 1928, in which year it rendered a sum of 15·1 million lats, but it declined to 12·1 million lats in the past year. Prominent among the many foreign buyers of our rubber footwear are: Germany (one-third of our export), Estonia, Lithuania, Poland, Finland, Czecho Slovakia, Sweden and Switzerland. In spite of the diminished export, the rubber factories have been endeavouring to augment their activities and, last year, they decided to take up new foreign capital. All the rubber factories are operating with a rather good margin of profit and paid dividends of 6·5 to 9% in 1928. Principally English, Dutch and German capital is invested in the joint-stock companies of our chemical industry.

Our match industry has been monopolized and taken over by the Swedish Match Syndicate since last year. The activities of the match factories were restricted

in 1928, when the number of hands employed decreased and the export of matches and splint fell rapidly. This was doubtless due to the influence of the Swedish Match Syndicate. At present, however, the Syndicate is obliged to develop production in accordance with the treaty concluded, which determines the minimum export of matches and splint. Consequently, we register a 250% increase in the export of matches (from 644 tons in 1928 to 1575 tons in 1929). But the difference in value is not so large, the increase being just 100%, as the price of matches has fallen lately. The export of matchsplint has also increased (from 1·1 to 2·4 million lats). As a result of the Swedish Syndicate's investment, the capital of our match factories increased by 5·2 million lats last year.

We possess a single linoleum factory in Libau which, through Swedish enterprise, has been linked to the Central European Linoleum Manufacturers Association. This factory, producing linoleum, cement and corkdust, is operating satisfactorily. The export of linoleum increased slightly last year, though the aggregate value declined.

The factories producing oil and grease augmented operations by 20—30%. The number of hands employed increased last year. So did the value of output and export, e. g., the export of lubricating oil increased by 40% in 1929, the principal buyers being Germany, Great Britain, Czecho Slovakia and the neighbouring States. Chiefly German capital is invested in the enterprises producing oil and grease and working up naphtha. There were no changes of any importance in this branch of industry last year.

In consequence of brisker building operations, the manufacture of dyeing materials for local requirements increased in 1929, and at present these enterprises employ a larger number of hands than in previous years. The value of exported dyes and colours also increased, though not much.

Satisfactory progress is registered from year to year in the manufacture of fertilizers. This branch is represented by a single factory producing superphosphate, which covers nearly one-half of the local consumption, so that the import of superphosphate is decreasing while its export is growing perceptibly. Last year, for example, the quantity of superphosphate imported fell by 27%, while the export increased by 12,720 tons (or 60%) and attained 33,711 tons. The aggregate output of superphosphate in 1929 amounted to 47,700 tons.

In general, it may be said that the enterprises of our chemical industry have grown. They have gained access to foreign markets and have good prospects of further development in the future. The greater part of the capital invested in the chemical branch (nearly 80%) is of foreign origin, and the new capital taken up last year and the proposals for further investments are, almost exclusively, of foreign origin.

Textile Industry.

There has been a marked revival of this industry in recent years. Year by year, new undertakings are being established and new capital is being procured, while the older factories are augmenting production with a steadily increasing

number of hands. Although a strike was expected in this industry last year and eventually did occur in some factories, the general progress of the textile industry was not obstructed. Several new factories have been established, mostly with the help of foreign capital. The largest enterprises of this industry are engaged in the spinning and weaving of cotton, wool and flax, and in the dressing and dyeing of tissue.

The cotton industry shows an increase of 25—40%. It works both for the home market and for export. Cotton tissue was imported for 18·5 million lats last year, as against 22·7 millions in 1928. The local cotton tissue factories delivered more goods to the local market last year than in previous years. Whereas formerly the export of the products of our cotton industry made rather slow progress, better results were registered in this respect last year. Of the products of this industry, almost only cotton yarn is exported, and in the year 1929 its export increased from 100 to 561 tons, the bulk of which went to the Soviet Union and to Lithuania. Some new factories producing cotton tissue were established last year, some of them with the help of foreign capital, one thereof with Estonian capital.

The wool industry employs nearly as many hands as the cotton spinning and weaving mills, though the average number of hands per enterprise is smaller in the wool industry, of which there are many small enterprises in the country. The development of the wool industry was due largely to export last year, whereby woollen tissue was sent almost exclusively to the Soviet Union. The import of woollen tissue remained practically unchanged, but the import of woollen yarn increased by 135 tons, attaining 580 tons. The yarn thus imported is used in the manufacture of woollen tissue. The output of knitted woollen articles showed a perceptible increase last year, compared with the preceding year, and the export of such goods increased from 70 to 115 tons.

The cotton and wool industries have to import the requisite raw materials. Consequently, parallel to the development of these industrial branches and the increased export of their products, we observe a corresponding increase in the import of the requisite raw materials and semi-manufactured goods (yarn etc.). On the other hand, the raw materials required for the flax industry are produced in this country and, normally, this branch of industry ought to develop more rapidly than the others. In reality, however, the flax industry is making slower progress than the wool and cotton industries. The flax industry has to work for export purposes, the inland market being small. On the other hand, the cotton and wool industries work largely for local requirements. Of the products of our flax industry, almost only linen yarn is exported, and the export of this article increased from 746 to 1020 tons during the past year. The export of linen tissue is altogether negligible.

The first silk weaving factory was established in Latvia last year. The capital invested in this undertaking is not large, and it is premature to form an opinion as to the factory's significance.

On the whole, our textile industry is already able to cope with local requirements. The fact that we continue to import textiles for very large sums is due to the following circumstances: 1) the ability of foreign firms to sell goods on

easier terms, 2) the necessity to import certain manufactured goods which are not made here, owing to the limited receptivity of the local market for such goods, and 3) the necessity to import certain semi-manufactured goods required for the textile industry.

The import of textiles increased by 1·1 million lats and totalled 55·3 millions in the past year, while the export of textiles increased by 12·2 million lats, rendering altogether 21·3 million lats. This shows that our textile industry augmented its output considerably, whereby the import of raw materials and semi-manufactured goods for this purpose increased proportionately.

Woodworking Industry.

This is the largest branch of our industries, in respect of the number of hands employed. Exceptional conditions prevailed in this branch last year. In the first place, owing to the resolution, previously adopted, to rescind the customs duty on timber materials exported as from January 1, 1930, the export of such materials did not develop normally in 1929. The value of exported timber materials decreased from 85·4 to 81·1 million lats. Secondly, some new veneer factories commenced operations last year, mostly with the help of foreign capital. These new undertakings will compete keenly with the older veneer factories for obtaining the necessary raw materials (birch blocks). Consequent on this development, the export of veneer increased from 8·5 to 13·3 million lats. In contrast with the export of raw materials and halfmanufactured goods, the export of manufactured wooden goods increased by 6·7 millions, attaining a sum of 19·2 million lats in the past year. The sawmills rank foremost in the woodworking industry. Two-thirds of the hands employed in the woodworking industry are engaged in sawmills, which work up not only Latvian timber, but also timber materials from Russia and other countries. The large quantities of foreign materials received in 1929 contributed to the increased activities of the sawmills in that year. The cork factories have also made good progress in recent years, working also for export trade. Some prominent private enterprises were converted into joint-stock companies last year, but this change seldom involved the investing of new capital.

Foodstuffs and Delicacies.

With the exception of dairies, this industry produces very little for export, but caters principally for local requirements. In pace with the growing inland consumption, this industry has augmented its output. Flour mills rank foremost in this branch, employing the largest number of hands. There are two types of flour mills, viz., commercial and country mills. The former buy grain, grind it and sell the flour to bakers and merchants. These commercial mills are situated chiefly in Riga and Libau, and they exercise great influence in determining the price of flour, and partly also that of bread. The activities of the commercial mills were brisker in the first half of 1929 than in the corresponding period of

the preceding year, as they produced flour not only for urban but also for rural requirements, in consequence of the sub-normal crop of 1928. The number of rural mills is very large, there being at least one in every district. These country mills do not confine their operations to the grinding of grain, but are often engaged also in the spinning and weaving of wool, woodworking, generating electricity etc. The activities of the country mills were less brisk last year.

Numerous hands are employed in factories making biscuits, chocolates and sweetmeats. These factories serve principally the local market, their export possibilities being very limited. However, some of these factories exported a portion of their output in 1929, by way of trial. As this branch of industry is protected by high duties in all countries, our factories can export their goods only to countries where the cost of labour is much higher. Although the existing factories were well able to cope with the entire local demand, some new and rather large enterprises were established in 1929. The biscuit and chocolate factories operate with local capital and, so far, with good results.

Spirit distilleries are in a peculiar position in this country. They have to deliver their entire output to the State, and the prices of raw materials (potatoes and rye) are determined by the Ministry of Agriculture. Conditions were not conducive to the advancement of this branch of industry last year. For, after the bad harvest in 1928, much of the requisite raw materials had to be imported at high prices. Some of the distilleries did not operate at all in the 1928—29 season, and the others restricted their activities. The productive capacity of our spirit distilleries averages 2—5 million degrees per season, but last year the average output was only 140,000 degrees. As imported spirit is cheaper than the home product, the Treasury is of the opinion that it is more profitable for the Government to buy foreign spirit. On the other hand, however, the local distilleries support agriculture by encouraging the cultivation of potatoes and rye, and, after the production of spirit, a certain quantity of offal is left over for fodder. A large amount of inland capital is invested in this industry and, in normal conditions, the necessary raw materials need not be imported, being obtainable on the spot. Therefore, it does not seem desirable to liquidate this branch of industry.

The single sugar factory in this country has amplified its operations this season, using not only home-grown beetroot, but also the Lithuanian product and raw sugar from other countries. The activities of this factory have already had a marked effect on the import of sugar, which has declined by 20%.

Other Branches of Industry.

The leather industry works principally for the local market, though a portion of its output was exported (to the Soviet Union) in the last two years (about 850 tons in 1929). Numerous enterprises are operating in this branch, and competition is keen. The situation is, therefore, not a bright one, judging from the difficulties experienced by the manufacturers and distributors of footwear.

The number of undertakings in the paper and cellulose industry is not large, but their turnover and output are steadily increasing. The export of paper and cardboard increased by 10% last year, but that of cellulose decreased slightly. Paper is exported to the Soviet Union, Great Britain and other countries. The export of paper totalled 12,930 tons in 1929, as against 11,850 tons in the preceding year.

Urban building operations have been brisker in recent years. Building operations in the country are being conducted at a slower pace at present, having attained the zenith during the period 1921—1927, consequent on the establishing of numerous new farms after the war. More houses are being built in the towns, especially in Riga, where numerous workers are employed during the building season. The development of housebuilding is conducive to the advancement of the different branches of industry supplying the necessary materials and accessories.

The question of markets is one of the most important problems affecting the advancement of our industries, the more so as the products of the latter were placed principally in the Russian market before the war, while at present the export of industrial products to that country is confined to the limits laid down in the commercial treaty with the Soviet Union. Although our products are exported to other countries as well, the fact remains that, owing to the customs policy of the different Governments, conditions are unstable in the foreign markets, as is evidenced by the frequent decline of our exports to certain countries. Nevertheless, foreign markets are obviously essential to the advancement of our industries, which cannot exist on local consumption alone. Therefore, it is gratifying to register the successful efforts of our industries to gain access to foreign markets in spite of all difficulties.

Commerce.

The inland trade of Latvia, which depends so much upon the purchasing power of the farmers, had to contend with various difficulties last year. The purchasing power of the farmers was very limited at the beginning of the year, but the Government's subsidiary action replenished their funds, with the result that the internal trade became more animated. After the good harvest, a revival of trade was to be expected in the second half of the year, but the improvement really did not come up to expectations. For, in consequence of the low prices of grain, the purchasing power of the farmers did not increase. For this reason, debts are paid very slowly and commercial bills have to be prolonged or protested. The number of protested bills increased last year, but their aggregate amount decreased. This implies that principally the smaller and medium sized enterprises are in difficulties.

Of the different commercial treaties concluded last year, the one signed with Poland at the beginning of the year was the most important. The negotiations with Estonia for the conclusion of a Customs union were continued, but led to no tangible results.

The Balance of Foreign Trade.

The sub-normal harvest of the preceding year influenced our foreign trade in the year 1929. For we had to import corn not only for food but also for sowing purposes. Besides the bad harvest, there were also other adverse conditions which left their mark upon the balance of trade. The export of timber materials did not attain the desired level and flax sales were late. It is, therefore, not at all surprising that the balance of trade was a very adverse one during the first few months of the year. This passiveness of the trade returns was at its highest in April and May, when the import of seeds was at its largest. The balance of trade grew less adverse towards the close of the year, and it was even satisfactory in October and November. On the whole, however, the past year was closed with a very large excess of imports over exports, which was surpassed only by that of the year 1925.

	Import	Export	Difference
	(lats, in millions)		
1925	280·6	179·6	101·0
1926	260·3	188·5	71·8
1927	249·9	221·2	28·7
1928	308·8	261·4	47·4
1929	362·6	271·8	90·8

Thus, last year, the passiveness of our trade returns was nearly twice larger than in the preceding year. It would seem as if, since 1927, the passiveness has been increasing.

The turnover of foreign trade increased by 11·3% last year, whereby the import grew by 53·8 millions or by 17·4%, attaining a sum of 362·6 million lats, and the export by 10·4 millions or by 4%, amounting to 271·8 million lats. This substantial increase of the trade turnover may be ascribed, inter alia, to the commercial treaty with the Soviet Union, to which country we export various manufactured goods for large sums. However, the manufacture of these goods involved the importing of various raw materials and accessories.

Import.

	Livestock	Foodstuffs and delicacies	Raw materials and half-manuf. goods	Manufactured goods	Precious metal and jewellery	Total
	(lats, in thousands)					
1927	2,073	65,744	68,150	113,141	880	249,988
1928	1,131	90,189	79,197	136,908	1,383	308,808
1929	1,934	117,845	89,823	152,206	783	362,591
	(percentage)					
1927	0·8	26·3	27·3	45·2	0·4	100·0
1928	0·4	29·2	25·7	44·3	0·4	100·0
1929	0·5	32·5	24·8	42·0	0·2	100·0

The import of foodstuffs presented the largest increase last year, and was more than in any of the preceding years. Already in 1928, the import of foodstuffs increased perceptibly, but in 1929 it went up by a further 30%. Grain accounts for the greater part of this increase, its import having been augmented by nearly 40%. This added to the importance of foodstuffs and delicacies among the different groups of imports.

The import of manufactured goods increased by 11%, whereby the following articles presented the largest import-increase: automotive equipment, industrial machines, metal goods, wrought metal, vehicles, products of the chemical industry etc. Among the manufactured goods, we find various articles, the import of which was less than in preceding years, e. g., agricultural machinery.

The import of raw materials and half-manufactured goods increased by 10·6 millions or by 13%, attaining 89·8 million lats. In this category, the import of coal, raw materials for our textile industry (such as raw cotton and Lithuanian flax) and raw materials for our chemical industry increased considerably, while the import of hides and ore decreased. The increased import of half-manufactured goods and raw materials is due to the steady development of our own industries, which make use of the bulk of these imports.

Export.

The export did not increase to such an extent as the import last year, though it rose by 10·4 million lats to a total of 271·8 millions in the past year. Our export trade had never been so brisk before.

Export.

	Livestock	Foodstuffs and delicacies	Raw materials and half-manuf. goods	Manufactured goods	Precious metal and jewellery	Total
	(lats, in thousands)					
1927	228	51,734	122,322	46,889	73	221,246
1928	1,044	58,613	133,744	67,908	50	261,359
1929	245	64,262	117,372	89,924	14	271,817
	(percentage)					
1927	0·1	23·4	55·3	21·2	0·0	100·0
1928	0·4	22·4	51·2	26·0	0·0	100·0
1929	0·1	23·6	43·3	33·0	0·0	100·0

Raw materials and half-manufactured goods continue to rank foremost among our exports. They even comprised more than 50% of the total exports in previous years, but in 1929 the export of raw materials and half-manufactured goods declined by nearly 16·3 million lats or by 12%. The export of flax, in particular, decreased to only a half of the preceding year's returns. The export of timber materials also decreased perceptibly, while that of veneer and match-splint increased. The export of rubber footwear and linoleum decreased last year, but at the same time, as a result of the commercial treaty with the Soviet Union, some new items were added to our export list, as, for example, railway wagons and bicycles. Various other goods were exported in larger quantities than in previous years, as, for example, cotton and woollen tissue, knitted goods, fertilizers, lubricating oil etc. Various goods, which were imported in former years, figured among the exports last year.

Commercial Relations with Different Countries.

The largest trade was registered with the same countries as in previous years, viz., with Germany, Great Britain, the Soviet Union, Poland, Belgium, the United States of America and Holland. Our import and export trade with these countries represented four-fifths of the total turnover. Our balance of trade with most countries is adverse, but with Great Britain, the Soviet Union, Belgium, Holland, Finland and France it is very satisfactory.

Our commercial relations with Germany are becoming more and more animated and the turnover of trade is increasing rapidly. Large sums of German capital are invested in our commercial and industrial enterprises. German capital participates in many different branches of our economic structure, also as joint-stock capital and short term credits in some of our banks. Germany accommodates our banks and firms with extensive credit, thus facilitating the purchase of necessary goods. These circumstances tend to stimulate our imports from Germany, which are increasing from year to year and averaged 40% of our aggregate

import in recent years. In particular, the import of grain from Germany increased last year, though it should be observed that much of this grain is not of German origin but is imported in transit via Hamburg. Germany has practically monopolized our import of certain articles, e. g., medical, optical, physical and electrical apparatus and utensils, stationery and paper, leather (raw hides from America worked up in Germany) etc. We export the following goods to Germany: butter (nearly 80% of the total export of this commodity), veneer, flax yarn, rubber footwear and other articles. The export to Germany is more than 50% smaller than our import from that country. In the past year, for example, the import from Germany increased by 21·5 million lats and presented a total of 148·6 million lats, while the export increased by 3·0 million lats only, rendering a total of 72·0 million lats. Thus, our commercial relations with Germany are developing disproportionately, as only the imports are increasing. Consequently, our balance of trade with that country is always adverse. The possibility of an improvement is precluded by the new German Tariff on butter, which will probably handicap still more our exports to that country.

Our trade with *Great Britain* has always been satisfactory. We import oil, naphtha and products thereof, coal, textile raw materials and half-manufactured goods, and various other articles from Great Britain. Thus, in the main, these imports are materials necessary for our industries. Furthermore, we import large quantities of Scotch herrings. Our exports to Great Britain comprise: timber materials, veneer, flax, butter, bacon etc. The export of bacon and flax decreased last year, while that of timber and butter increased. Altogether, the import from Great Britain increased by 2·1 million lats, presenting a total of 31·3 millions, while our export to that country rose by 3·5 millions to a total of 74·1 million lats. Thus, the balance of trade was satisfactory to the extent of 42·8 million lats.

Our trade with the *Soviet Union* takes the third place, in regard to turnover. A substantial increase was presented last year, though the import from the Soviet Union was not so extensive as might have been expected considering the special lowering of our Customs Tariff on Russian goods. The following articles were imported for large sums: sugar, naphtha, kerosene, petrol, fruit, oilcake, tobacco, cotton tissue etc. The import of corn, considerable in former years, amounted to nil last year. Our exports to the Soviet Union last year comprised: railway wagons, woollen tissue, knitted goods, hides and skins, leather, paper, superphosphate, bicycles, agricultural machinery etc. While the import from the Soviet Union decreased slightly last year, our export to that country increased by 16·4 million lats and rendered a total of 40·1 millions. Our balance of trade with the Soviet Union is satisfactory. The commercial treaty with the Soviet Union has now been in force for two years, and in 1929 the exports actually attained the level stipulated in the said treaty.

Our commercial relations with *Belgium* diminished slightly last year. Belgium is the principal buyer of flax, but the export of this article decreased by 50% last year. The export of timber materials increased slightly, but could not make up for the diminished flax export. Therefore the value of our export to Belgium receded by 5·6 million lats, and totalled 22·7 millions. And as the import from

Belgium did not involve more than 5·8 million lats, the trade returns with that country rendered a surplus of 16·9 million lats.

An increased turnover was registered in our trade with *Poland* last year. The principal imports were: corn, sugar, coal, naphtha and products thereof, textiles etc. We export to Poland for comparatively small sums such goods as tinned fish, superphosphate, rubber footwear, linoleum, dyeing materials etc. The export of rubber goods decreased perceptibly last year. Altogether, our trade with Poland is growing more and more disproportionate. For, while the import is steadily increasing, our export is decreasing. In 1928, the balance of trade with Poland (including Danzig) was adverse to the extent of 12·3 million lats, but in 1929 this passiveness of the trade returns attained 34·1 millions. It is noteworthy that our import from Poland is ten times larger than the export.

We export a good deal to *Holland*. The export of timber materials and veneer declined slightly last year, but that of linseed increased. We import from Holland various materials necessary for our industries (e. g., rubber), besides quantities of grain, seeds, artificial manure and other goods.

The commercial turnover with the *United States of America* has increased. Among the imports we find: foodstuffs and delicacies (grain, pure lard, fruit), cotton, naphtha and products thereof, automobiles etc. Our exports to the United States of America comprise hides and skins, furs, tinned fish, matches etc. The balance of trade with the U. S. A., has always been passive, and last year was no exception. The import involved a sum of 19·8 million lats, while the export rendered only 4·0 millions, so that the returns were adverse to the extent of 15·8 million lats.

The development of our trade with *Czecho Slovakia* is very disproportionate. From that country we import various goods (sugar, cotton and wollen tissue etc.,) for very large sums, while our export is almost negligible. The same applies to our trade with *Switzerland,* from which country we import textiles, while our exports are practically nil. The import from *Sweden* is increasing while the export is receding. The balance of trade with the nearest neighbouring countries (Estonia and Lithuania) is also adverse. Thus, we observe that while the balance of trade with certain countries is decidedly satisfactory with others it is disproportionate, and in such cases an effort must be made towards improvement in the future.

Transit Traffic presented no great change last year, having increased by 23,700 tons to a total of 877,000 tons. The bulk of the transit goods came from the Soviet Union (475,000 tons), Poland (157,000 tons) and Germany (160,000 tons). A certain portion of the transit merchandise is elaborated and repacked in local enterprises. For example, 161,000 tons of transit timber were handled by Latvian sawmills last year, i. e., 13% more than in the preceding year.

Transport. Though more than two years have passed since Parliament sanctioned several projects of new railway lines, the construction of the latter has not yet been commenced. The line from Glūda to Liepāja was completed

last year and regular traffic opened on it. The work of constructing the line from Riga to Limbaži — Rūjiena is being continued.

The revenue of our State Railways increased by 7·5% last year. Exclusively freight traffic, which rendered 9·1% more than in the preceding year, contributed to the increase of railway revenue. Passenger traffic decreased last year. The competition of motor buses is becoming more and more perceptible to our railways, for at present there is a dense network of motor-bus lines all over Latvia. And if wages were better, the development of automobile traffic would be still more rapid in this country. The motor buses are competing successfully with the railways in highroad traffic. Consequently, much importance is attached to the suggested construction of highroads instead of railways.

Our commercial fleet has increased rapidly in recent years. It presented a total of 176,900 gross tons last year, having increased by 33% in the course of the year. The entire increase is attributable to steamers only. As the exploiting of ships is remunerative, our business circles find it profitable to invest capital in shipping. And the growth of our merchant service is enhanced by the large sums granted for acquiring ships by the Latvian Mortgage Bank. Despite the increased tonnage of our commercial fleet, most of the traffic with Latvian ports is effected by foreign ships. Foreign capital participates in our steamship companies and in the buying of new vessels abroad.

Navigation in Latvian ports decreased by 142,000 tons to 1,873,000 tons (arrivals) last year, or by 7·1%, owing to the long interruption during the severe winter of 1928—29. Timber materials and coal continued to be the principal articles transported. The freight traffic on internal waterways remained unchanged.

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LATVIJAS BANKA

BANK OF LATVIA

1930

MAP OF LATVIA.

INDICATION:

- RAILWAYS 1524 m/m. (RUSSIAN) GAUGE
- 1435 m/m. (NORMAL) GAUGE
- 1000-600 m/m (OF SMALL GAUGE)
- FRONTIERS OF THE STATE
- FRONTIERS OF THE DISTRICTS
- RIVERS AND LAKES
- NEW TRACED RAILWAY LINE

- HEAD OFFICE OF THE LATVIJAS BANKA.

BRANCHES:

- DOING ALL INLAND AND FOREIGN OPERATIONS
- DOING ALL INLAND OPERATIONS
- WITH LIMITED INLAND OPERATIONS

VALSTSPAPĪRU SPIESTUVE.

LATVIJAS BANKA.
BANK OF LATVIA.

REPORT
FOR
1930.

1931.

PRINTED AT THE STATE PRINTING-OFFICE.

ADMINISTRATION OF THE LATVIJAS BANKA.

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ADOLFS BĻODNIEKS — Member of the Saeima.
JŪLIJS CELMS — Member of the Saeima.
JŪLIJS ĒRGLIS — Member of the Saeima.
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LATVIJAS BANKA.

BANK OF LATVIA.

1930.

The past year was marked by a rapidly increasing crisis and depression all over the world. The universal economic crisis influenced Latvia more and more in the course of the year. Having rendered a good harvest, Latvia would have been in a favourable position last year, as an agrarian country, if the general economic conditions had developed normally. But as the prices of agricultural produce fell rapidly in the world market, and thereby even more so than the prices of manufactured goods, the satisfactory harvest could not improve the situation of our farmers, which even grew worse. In fact, the general economic progress of Latvia suffered much owing to the fact that our agriculture was not protected from the overstocking of our market with foreign corn, artificially cheapened by some countries for competitive purposes, by means of export premiums. It became necessary to introduce special laws for the protection of agriculture, as otherwise our farmers would have been unable to continue farming. The limitation of the import of foreign corn and the enforcement of a law enabling our farmers to sell their corn to the Government led to a decrease of the import of corn from abroad. Whereas in 1929 the import of wheat, rye, barley and oats involved altogether a sum of 66 million lats, we find that in 1930 the import of these commodities totalled 25 million lats only, the bulk of this import having taken place before the publication of the new law protecting our farmers. The latter have begun lately to augment their cultivated area and there are fair prospects that Latvia will be able to exist henceforth practically without importing foreign corn.

The difficulties which confronted agriculture also reflected upon the other economic branches largely dependent on the purchasing power of the farmers. The situation of our industries too was not an easy one, in consequence of the overproduction in foreign countries which intensified competition and abated prices. The growth of these difficulties towards the close of the year forced some important branches of our industry to restrict their activities.

The balance of our foreign trade was less unfavourable than in the preceding year, the passiveness having amounted to 48 million lats as against 88 millions in 1929, which year was still under the influence of the bad harvest of 1928. It should be observed, however, that our foreign trade returns improved solely owing to the decrease of import and not to increased export, as the latter did not increase at all. The development of our export trade was greatly impeded

by the general economic depression. As the offer of goods exceeded the demand in the world market, the prices of our export goods dropped last year even more rapidly than those of the import goods. Furthermore, our inland market is overstocked with various foreign articles which are also produced in this country, but the sale of these foreign goods is promoted by the easy terms of payment granted by foreign suppliers. An improvement in this respect is hardly to be expected before the end of the economic crisis which prevails all over the world at present.

The balance of our foreign trade was sufficiently adverse in 1930 to involve a certain efflux of foreign currency. This efflux was augmented especially by payments for grain purchased abroad some time before, and by the refusal of some of our private banks and enterprises to employ further foreign capital, as too expensive and therefore unprofitable, in comparison with the recently lowered rates of interest in Latvia. The reserves of foreign currency in Latvijas Banka decreased very perceptibly at the turn of the year.

It became obvious recently that even the cautious credit policy of Latvijas Banka was inadequate for diminishing the import and for preventing the efflux of foreign currency (by stabilizing the balance of payments). Therefore the Bank resolved to enter upon a general restriction of credits. Though the increase of the aggregate credits in Latvian credit institutions last year was approximately three times smaller than in the preceding year, the efflux of foreign currency continues and impels us to prevent a further increase of credits in general. If Latvijas Banka allows the credits to develop without restriction, the aggregate State credits in Latvia will continue increasing, owing to the new long term loans granted by the State Land Bank and the Latvian Mortgage Bank.

After the rejection by the Diet of the Government's proposal to increase the customs duty on certain articles, the restriction of credits by Latvijas Banka was the only efficient remedy left for restricting imports. In resorting to a restriction of credits to private credit institutions and merchants, Latvijas Banka was fully aware of the fact that such a restriction must necessarily have a detrimental effect upon the enterprises in question. Therefore, the Bank considered the matter very carefully before proceeding with the restriction of credits. The Bank took particular care to safeguard the industries against the possible adverse effects of such restriction of credits. By producing goods on the spot, the local industries obviate the necessity of importing certain articles and in some cases contribute to the development of our export trade, thus helping to improve the balance of our foreign trade. Though the restriction of credits causes direct or indirect difficulties to many private enterprises it cannot be denied that, on the whole, the means employed are justified by the aim, namely to attain thereby a certain decrease of imports in order to stabilize the balance of trade and check the efflux of foreign currency.

In order to meet the requirements of private enterprise, Latvijas Banka took steps last year which brought about a general reduction of the cost of credits in private credit institutions, whose rate of indermediary profit had been hitherto too high and therefore detrimental to economic development. The Latvijas Banka

reduced its rates of interest on loans. Thus, credits granted to farmers through the medium of rural credit institutions were cheapened considerably from January 1,1930, and credits to industrial and commercial enterprises — from October 1. Consequently, the Bank's profit from loan operations decreased considerably during the past year. In the economic conditions obtaining at present, the rates of interest charged by Latvijas Banka are very low, and the Bank cannot go any further in that direction for the simple reason that the rates of interest paid by the Bank itself are comparatively high. It would not be desirable to lower the rates of interest on deposits, as this would reflect unfavourably on public savings.

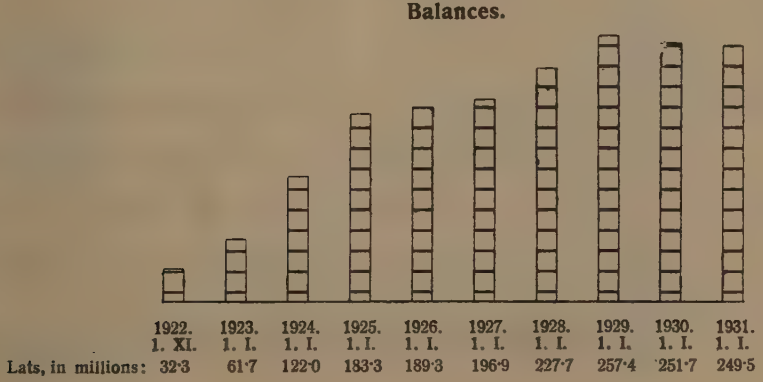
The aggregate *extent of the Bank's operations* was somewhat smaller last year than in the preceding year. The extent of returns has been as follows in recent years: —

3,824	million	lats	in	1927
4,429	„	„	„	1928
5,219	„	„	„	1929
4,982	„	„	„	1930

As in the preceding year, so in 1930 the Bank's *balance sheet* showed no further increase, but even decreased slightly. The balance sheet amounted to:

227·7	million	lats	on	January	1, 1928
257·4	„	„	„	„	1, 1929
251·7	„	„	„	„	1, 1930
249·5	„	„	„	„	1, 1931

Thus, the balance sheet decreased by less than 1% last year, as against a decrease of $2^1/_2$% in the preceding year. The development of the Bank's balance sheet is portrayed in the following diagram:



Balance Sheets of the Latvijas Banka.
(Lats, in thousands.)

The first line of each item shows the situation in 1929, the second—in 1930, the third—in 1931.

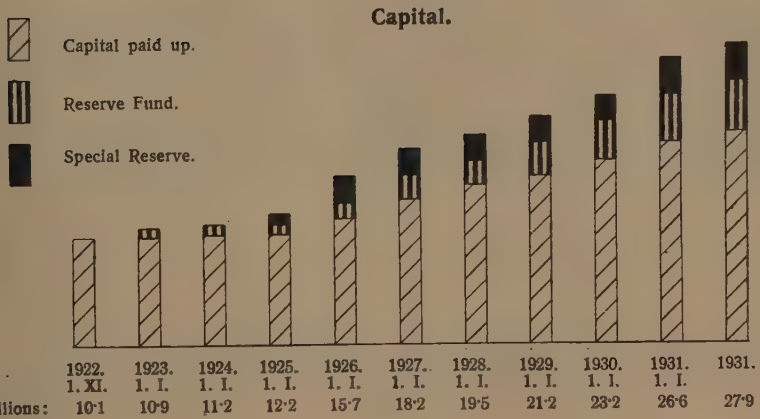
Accounts	1. I.	1. II.	1. III.	1. IV.	1. V.	1. VI.	1. VII.	1. VIII.	1. IX.	1. X.	1. XI.	1. XII.
ASSETS												
1. Gold	23754	23766	23774	23813	23832	23848	23866	23881	23894	23903	23907	23915
	23933	23944	23955	23973	23994	24007	24018	24035	24053	24060	24062	24064
	24072											
2. Foreign currency	72466	68315	69941	66043	56309	51240	45640	45107	48096	49322	50207	47130
	49491	42522	46792	49831	53143	48942	45097	44627	46609	45401	39534	36729
	36451											
3. Latvian State money	15149	22483	18621	16189	18562	25605	23774	21600	18909	15692	18777	19990
	18446	27887	22533	24410	29045	30749	33408	32409	27650	20511	19930	23728
	19322											
4. Bonds	4800	4927	5066	6695	6793	6629	6707	6830	6897	7002	8061	7781
	8068	8066	8074	8212	8230	7928	7934	7933	7946	8224	8242	7950
	8989											
5. Short term bills and drafts	86742	84314	83266	85700	87456	88712	90833	89636	91581	92964	93458	94467
	94777	94667	94784	93541	90915	90245	89082	88369	88734	88576	87983	88202
	89272											
6. Special current a/c. and loans	45007	44921	47346	50583	56412	56934	58257	58743	57836	56426	55582	56146
	52935	53039	53479	56136	55958	54527	55350	54788	54232	57484	60972	62207
	68145											
7. Current expenditure and interest	—	439	846	1275	1789	2156	2557	2992	3487	3911	4388	4821
	—	425	880	1308	1889	2150	2811	3306	3722	4152	4578	5150
	—											
8. Sundry assets	9473	9140	9366	9287	12737	9078	9015	14735	18575	14098	8674	8890
	4092	4794	4403	3872	4512	5177	5009	5885	5228	5474	5489	5258
	3276											
Total	257391	258305	258226	259535	263890	264202	260649	263524	269275	263318	263054	262941
	251742	255324	254900	261283	267686	263725	262709	261352	258174	253882	250799	253288
	249527											
LIABILITIES												
1. Capital	15581	15581	15581	15581	15581	15581	15581	15581	15581	15581	17010	17010
	17010	17010	17010	17010	18735	18735	18735	18735	18735	18735	18735	18735
	18735											
2. Reserve Fund	5591	5591	5591	5591	5591	5591	5591	5591	5591	5591	6162	6162
	7162	7162	7162	7162	7852	7852	7852	7852	7852	7852	7852	7852
	7852											
3. Notes in circulation	43393	42589	44497	46680	45853	42981	43496	43952	45160	47421	49530	48521
	48464	46672	48297	47795	45853	45361	44592	45090	46745	49328	50308	48767
	49630											
4. Deposits	12372	12624	12641	12624	12861	13109	13215	13581	13695	14000	14138	14605
	15395	15837	16167	16705	17161	17429	18128	18634	18937	19238	19597	19823
	20586											
5. Current a/c. and correspondents "Loro"	60528	56048	64419	57456	55419	52903	53884	57654	60880	62220	60682	60426
	61206	64240	63391	51201	55632	56884	61629	60577	57480	56591	52958	55780
	60965											
6. State sums	108438	109870	101419	105643	112556	112679	105378	103286	105312	94688	94994	93255
	93718	86698	88725	105349	108743	103977	96025	94233	93697	87650	85983	85826
	86897											
7. Interest and commission received	—	1143	1664	3317	3990	4862	6633	7455	7981	9759	10410	11146
	—	1241	1691	3519	4052	4525	6141	6839	7309	8797	9176	9467
	—											
8. Sundry liabilities	11488	14859	12414	12643	12039	16496	16871	16424	15075	14058	10128	11816
	8787	16464	12457	12542	9658	8962	9607	9392	7419	5691	6190	7038
	4862											
Total	257391	258305	258226	259535	263890	264202	260649	263524	269275	263318	263054	262941
	251742	255324	254900	261283	267686	263725	262709	261352	258174	253882	250799	253288
	249527											

The development of the principal items of the balance sheet, from month to month, is illustrated in the table on page 8.

The development of the Bank's activities depends upon the resources at its disposal, comprising the Bank's own capital, the issue of banknotes, various deposits, State sums and sundry items.

The Bank's capital has been increasing from year to year by the addition of a certain portion of the preceding year's profit. In accordance with the Bank's statutes, 25% of the net profit are added to the capital every year until the latter amounts to 25 million lats, and further 10% of the profit are added to the Reserve Fund, the maximum extent of which is not limited. Furthermore, the Bank has a special reserve fund, viz., the active operations security fund, which is not foreseen in the statutes. Certain additions are made to this fund in extraordinarily profitable years, e. g., one million lats was passed to this fund in 1924, one and a half million in 1925 and one million in 1929, so that the fund totals $3^1/_2$ million lats. In general, the Bank's capital has increased as follows: —

By	0·8	million	lats in	1922
„	0·3	„	„ „	1923
„	1·0	„	„ „	1924
„	3·5	„	„ „	1925
„	2·5	„	„ „	1926
„	1·3	„	„ „	1927
„	1·7	„	„ „	1928
„	2·0	„	„ „	1929
„	3·4	„	„ „	1930
„	1·3	„	„ „	1931



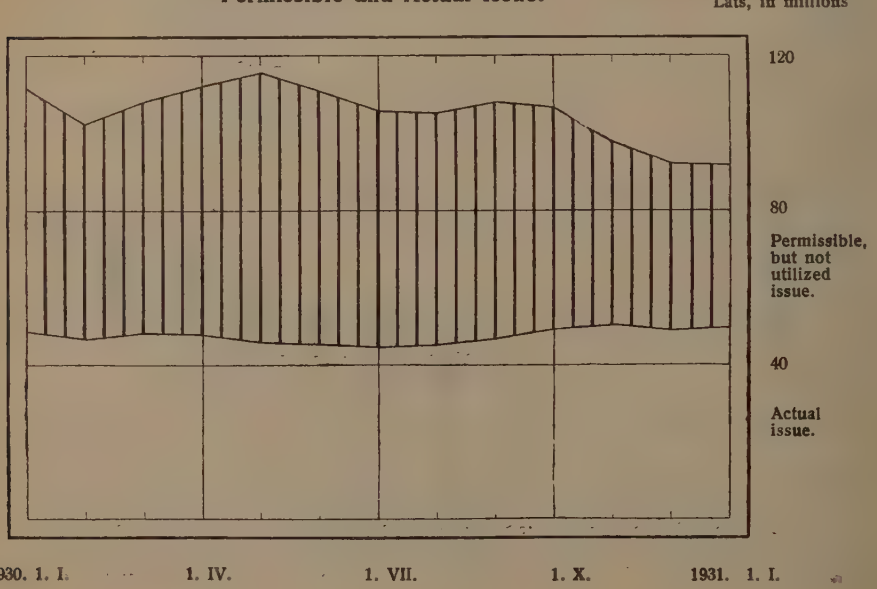
The statutory addition to the Bank's capital has been made year by year from the net profit of the preceding year, while the sums added to the special reserve are taken from the current year's profit.

On December 31, 1929, the Bank's capital amounted to	Ls 23,172,300·31
Added in 1930 from the preceding year's profit. . . .	„ 3,414,611·47
Capital on December 31, 1930 . . .	Ls 26,586,911·78

The issue of banknotes attained the maximum last year, though the proportion of increase was not so great as in the preceding year. The issue increased from 48·5 million lats on January 1, 1930 to 49·6 millions on January 1, 1931, i. e., by 1·1 million lats or 2·3% in one year. The maximum issue so far was registered on November 1, last year, when banknotes were in circulation for a sum of 50·3 million lats. The movement of issue last year was as follows:

Banknotes in circulation on January 1, 1930 . . .	Ls 48,463,745·—
Issued in 1930	„ 23,610,180·—
	Ls 72,073,925·—
Withdrawn in 1930	Ls 22,444,135·—
Banknotes in circulation on January 1, 1931 . . .	„ 49,629,790·—

Permissible and Actual Issue.



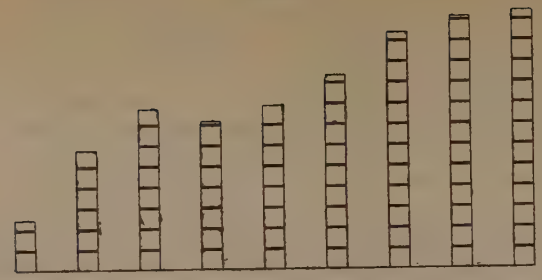
The accompanying diagram shows that the relation of the actual issue to the permissible maximum was not greatly altered last year. This proportion fluctuated more perceptibly in other years. So far, Latvijas Banka has never made full use of the right of issue granted by the Statutes, which stipulate that banknotes in circulation up to 100 million lats have to be covered by gold and stable foreign currency to the extent of 50% only. The actual issue towards the close of last year did not exceed 54% of the permissible issue, though the foreign currency reserve had diminished somewhat and, in connection therewith, the right of issue had decreased from 11·6 to 91·6 million lats (i. e., by 18%) during the year. The proportion of the actual issue to the permissible maximum increased by 9% during the past year (from 45% twelve months ago). The banknotes in circulation on January 1 of the current year were covered by gold and foreign currency to the extent of 92%, as against 121% a year ago. Thus, even now, the actual proportion of cover exceeds by far the minimum percentage of cover stipulated in the Bank's Statutes.

The Cover of Issue.

Year, month and day	Banknotes in circulation Ls	Items of cover				%/% of the issue	Permissible issue (Stat. § 13) Ls	Permissible, but not utilized issue Ls
		Gold and foreign currency Ls	%/% of the issue	Short term bills as cover of issue (Stat. § 13) Ls	Total cover of issue Ls			
1929								
January 1	43,392,990	91,486,721	187·8	86,801,260	168,287,981	387,8	141,982,295	98.589.305
1930								
January 1	48,463,745	58,691,162	121 1	94,777,254	153,468,416	316·7	111,588,216	63,124,471
February 1	46,671,620	51,732,925	110·9	94,667,440	146,400,365	313·6	102,310,567	55,638,947
March 1	48,296,525	56,014,176	116·0	94,783,661	150,797,837	312·2	108,018,901	59,722,376
April 1	47,794,885	59,070,880	123·6	93,540,949	152,611,829	319·3	112,094,507	64,299,622
May 1	45,853,180	62,403,731	136·1	90,915,384	153,319,115	334·4	115,538,308	69,685,128
June 1	45,361,155	58,215,566	128·3	90,245,270	148,460,836	327·3	110,954,088	65,592,933
July 1	44,591,730	54,382,331	122·0	89,081,829	143,464,160	319·5	105,843,108	61,251,362
August 1	45,090,015	53,929,128	119·6	88,369,111	142,298,239	315·6	105,238,837	60,148,822
September 1	46,745,535	55,929,064	119·6	88,734,404	144,663,468	309·5	107,905,419	61,159,884
October 1	49,327,615	54,727,696	110·9	88,576,262	143,303,958	290·1	106,303,595	56,975,980
November 1	50,307,700	48,871,573	97·1	87,983,408	136,854,980	272·0	97,743,146	47,435,446
December 1	48,766,950	46,059,922	94·4	88,202,525	134,262,447	275·3	92,119,844	43,352,894
1931								
January 1	49,629,790	45,790,255	92·3	89,272,398	135,062,653	272·1	91,580,510	41,950,720

The annual development of issue since the Bank's foundation is portrayed in the following diagram:

Issue.



	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Lats, in millions:	9·8	23·0	30·9	28·6	31·5	37·3	43·4	48·5	49·6

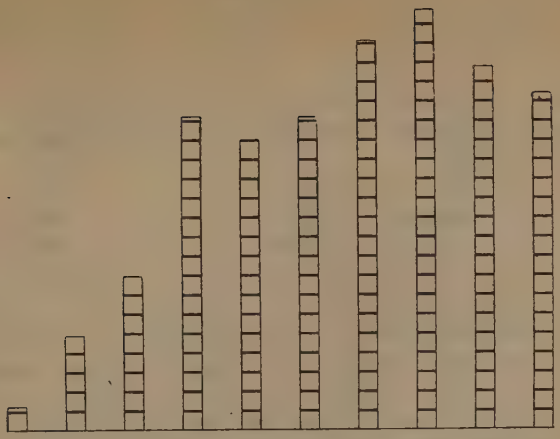
The proportion of increase of the issue has been declining in recent years: the issue increased by 19% in 1927, by 16% in 1928, by 12% in 1929 and by 2% only in the past year.

The importance of State sums in the Bank's balance sheet has diminished in recent years, not only in proportion to the other resources of the Bank, but also in absolute numbers. These sums, comprising State reserves, budgetary residues and judiciary deposits in the Bank, presented the following returns last year:

State sums on January 1, 1930	Ls	93,718,167·21
Entered in 1930	„	623,975,175·71
	Ls	717,693,342·92
Paid out in 1930	„	630,796,652·04
Remainder on January 1, 1931	Ls	86,896,690·88

The balance of *State sums* in the Bank decreased by 6·8 million lats last year, i. e., by more than 7%, but this decrease was less rapid than in the preceding year, when there was a decrease of 14·7 millions or 14%. State Expenditure has been larger than State Revenue lately, and has therefore not rendered such residues as in previous years. State sums figured in the Bank's balance sheet as follows in recent years:

State Sums.



	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Lats, in millions:	6·0	24·3	39·6	80·9	74·8	80·7	100·5	108·4	93·7	86·9

As the State's gold fund, deposited in the Bank, is not at the Bank's free disposal, the same has to be deducted from the aggregate State sums which are included in the Bank's resources. Deducting the State's gold fund of 14·7 million lats, we find that the State sums forming a part of the Bank's available resources on January 1, 1931, totalled 86·9 — 14·7 = 72·2 million lats, as against 79 millions a year ago and 93·7 millions two years ago. The proportion of decrease was nearly 9% last year, as against a decrease of about 16% in the preceding year. Of the Bank's aggregate resources, State sums represented 41% on January 1, 1929; 35% on January 1, 1930, but less than 32% on January 1, 1931.

Besides these general State sums, there are in Latvijas Banka also the current accounts and other deposits of separate State institutions and autonomous enterprises. These deposits also decreased last year from 45·1 to 41 million lats, i. e., by more than 4 millions or 9%. The aggregate State sums plus the accounts of State institutions at the Bank's disposal have decreased so far, as follows:

145·9	million	lats on	July	1, 1928
138·2	„	„ „	January	1, 1929
124·0	„	„ „	„	1, 1930
113·2	„	„ „	„	1, 1931

Thus the remainder of State resources in Latvijas Banka has decreased as follows:

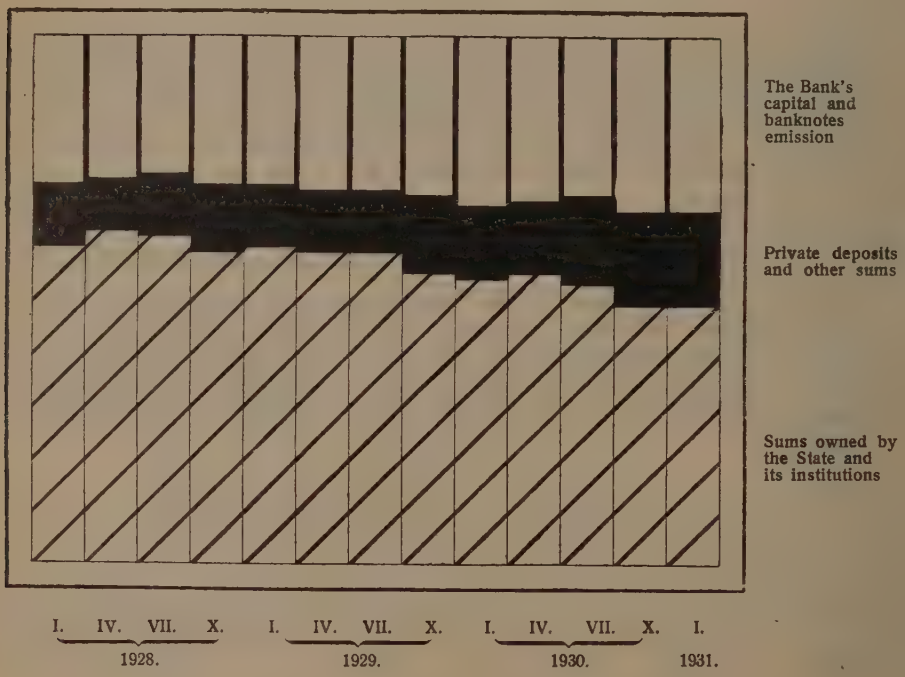
In 1928 (second half)	by	7·7	million	lats	or 5%
„ 1929	„	14·2	„	„	„ 10%
„ 1930	„	8·8	„	„	„ 7%

The percentage of State sums and the accounts of State institutions among the Bank's aggregate resources decreased from year to year as follows:

On April	1, 1928	63%
„ January	1, 1929	60%
„ „	1, 1930	54%
„ „	1, 1931	49%

Deducting the Bank's loans to State institutions from the balance of State resources in the Bank, there remained a balance of State resources in the Bank amounting to 124·0 — 7·6 = 116·4 million lats on January 1, 1930, but the same decreased to 113·2 — 26·4 = 86·8 million lats on January 1, 1931, showing a decrease of 29·6 million lats or 25% in one year.

Available Resources of Latvijas Banka (in percentage).


The Bank's capital and banknotes emission
Private deposits and other sums
Sums owned by the State and its institutions
I. IV. VII. X. I. IV. VII. X. I. IV. VII. X. I.
1928.
1929.
1930.
1931.

The importance of *private deposits* in the Bank's balance sheet is increasing year by year both absolutely and relatively, the net demand deposits (on booklets) showing the greatest progress. The private deposits aggregated:

21·7	million	lats	on	January	1, 1928
27·4	„	„	„	„	1, 1929
30·3	„	„	„	„	1, 1930
37·8	„	„	„	„	1, 1931

Among the private deposits, the accounts of private credit institutions also presented a small increase on January 1 of the current year, compared with previous years, but the total amount of these accounts is so small and fluctuant that the importance of these accounts among the resources of Latvijas Banka is inconsiderable.

The returns of all deposits and current accounts belonging to State institutions and private persons were as follows last year:

I. Deposits.

Balance on January 1, 1930	Ls	15,394,761·25
Paid in, in 1930	„	13,519,179·86
	Ls	28,913,941·11
Paid out, in 1930	„	8,328,202·59
Balance on January 1, 1931	Ls	20,585,738·52

II. Current Accounts.

Balance on January 1, 1930	Ls	61,205,964·62
Paid in, in 1930	„	846,051,330·30
	Ls	907,257,294·92
Paid out, in 1930	„	846,291,393·25
Balance on January 1, 1931	Ls	60,965,901·67

Classified according to ownership, the deposits and current accounts in Latvijas Banka belong to State institutions, State autonomous enterprises, private persons and enterprises, private credit institutions and foreign correspondents. The balances belonging to each of these groups developed as follows in recent years:

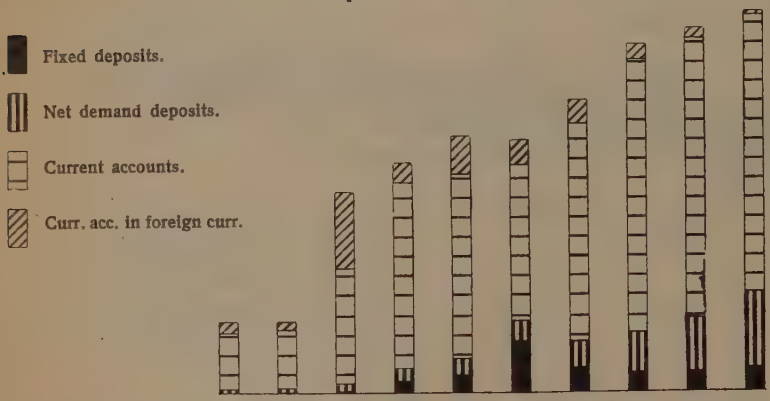
Deposits, Current Accounts and Foreign Correspondents
(lats, in millions).

Year, month and day	State institutions	Autonomous enterprises	Private persons & enterprises	Credit institutions	Foreign correspondents	Total
1928. 1. I. . .	20·9	17·9	17·8	3·9	0·6	61·1
1929. 1. I. . .	29·8	14·7	23·1	4·3	1·0	72·9
1930. 1. I. . .	31·9	13·2	26·1	4·2	1·2	76·6
1931. 1. I. . .	31·2	9·8	32·5	5·3	2·8	81·6

Thus, the aggregate deposits in the Bank have increased from year to year: by 9·8 million lats in 1928, by 3·7 millions in 1929, and by 5 millions last year. As the aggregate deposits are slowly but constantly increasing, and as these sums belong mostly to State institutions and to a lesser extent to various private depositors, the Bank can unhesitatingly employ the deposited sums for various loan operations, the more so as their fluctuation is comparatively small. Rapid fluctuation is registered only in the current accounts of private credit institutions and of some private enterprises, but these do not figure prominently among the Bank's resources.

The following diagram illustrates the development of the various forms of deposits throughout the period of the Bank's existence:

Deposits and Current Accounts.



Lats, in millions:	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Fixed deposits	0·0	0·1	0·3	2·5	3·6	10·6	5·1	4·1	4·2	5·1
Net demand deposits . .	0·8	0·9	1·7	2·6	3·5	4·3	5·5	8·3	11·2	15·5
Current accounts	11·6	12·0	23·7	38·3	38·0	32·1	44·9	56·3	57·8	57·4
Curr. acc. in foreign curr.	2·5	1·7	15·8	4·1	7·9	5·4	5·0	3·2	2·1	0·8
	14·9	14·7	41·5	47·5	53·0	52·4	60·5	71·9	75·3	78·8

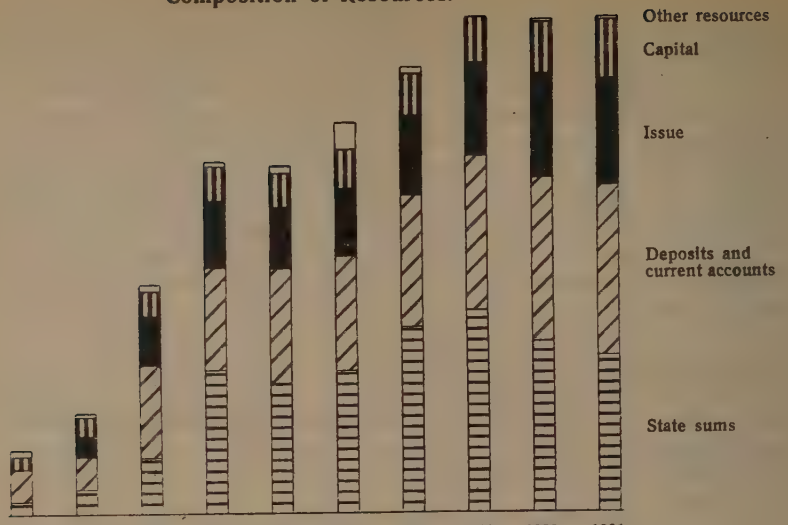
The *rates of interest* paid by the Bank on deposits are rather high, compared with the low rates charged by the Bank on its credits. For example, the credit institutions situated in rural districts receive some credits against bills at a cheaper rate than the Bank itself pays on deposits. In connection with the cheapened credits last year, the question of lowering the rates of interest on deposits also became acute. However, in order to encourage thrift and promote the accumulation of capital in this country, the Latvijas Banka deemed it expedient to leave the rates of interest unaltered, with the exception of the highest thereof, viz., the rate on fixed deposits over 6 months, which was lowered from 6 to $5^1/_2\%$. The rates on private deposits and current accounts, in force in the Bank at present, are as follows:

On fixed deposits, over 6 months	$5^1/_2\%$
„ „ „ up to 6 months and on net demand deposits	5%
„ current account deposits	4%
„ current accounts in foreign currency	1·5—2%
„ bills paid at least 15 days before the stipulated term, the Bank refunds discount	4%

The system of computing the interest on current accounts has been altered since July 1 of the past year, and the interest is now calculated on the smallest balance of each account every fifteen days. This regulation was necessitated by the rapid circulation of sums deposited on current account, which imposed much work on the Bank without rendering a profit proportionate to the high rate of interest (4%) paid on such deposits. It has been suggested to lower this rate or, following the example of most foreign Note Banks, to pay no interest on current accounts in general. These suggestions have not been heeded, but at least the above mentioned regulation has been enforced, releasing the Bank from paying interest on unstable sums which render no real profit to the Bank.

Compared with their rapid development in the first few years of the Bank's existence, the *aggregate resources* of the Bank remained practically unaltered during the past two years: they amounted to 229·2 million lats on January 1, 1929, to 227·7 millions a year later, and to 228·8 millions on January 1 of the current year. Though the total amount of these resources has remained practically unaltered, very perceptible changes have taken place in their composition, as portrayed in the following diagram:

Composition of Resources.



	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Lats, in millions:	29·8	46·8	106·1	162·9	160·5	180·6	205·9	229·2	227·7	228·8

Thus, during the past two years, the State sums at the Bank's disposal have decreased considerably, — by $21^1/_2$ million lats, but this decrease has been approximately counterbalanced by the increase of deposits, banknotes issued and the Bank's own capital. Deposits increased during these two years by 8·7 million lats, the issue of banknotes by 6·2 millions and the Bank's capital by 5·4 million lats. As in recent years there have been no further additions of budgetary residues to the State Reserve, the item of State sums no longer renders any new resources to the Bank, and this item has even decreased recently. The development of deposits cannot be very considerable, as the accumulation of private capital progresses very slowly and the Latvijas Banka does not try to compete with private credit institutions which pay higher rates of interest. The issue of banknotes also develops very moderately, in sound proportion to the actual need for money in circulation and to the actual amount of stable reserves. The development of the Bank's capital depends on the annual profit. Of late, however, the Bank has gone so far in lowering its rates of interest on credits that, in the prevailing conditions, the Bank's profit cannot be very large. Taking all these circumstances into consideration, it may be presumed that, unless conditions change, there will be no rapid increase of the Bank's resources in the near future. These resources seem to suffice for the actual requirements of short term credit in this country. As is known, the granting of long term credit is not one of the objects of Latvijas Banka.

Resources of Latvijas Banka and their employment
(lats, in millions).

	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Resources:										
State sums	6·0	11·5	25·9	66·2	60·1	66·0	85·8	93·7	79·0	72·2
Deposits and current accounts	14·9	14·7	42·5	47·5	53·0	52·4	60·5	70·9	75·3	78·8
Issued banknotes	—	9·8	23·0	30·9	28·6	31·5	37·3	43·4	48·5	49·6
Own capital	6·1	8·9	11·6	12·2	15·7	18·2	19·5	21·2	24·2	26·7
Other resources	2·8	1·9	3·1	2·1	3·1	12·5	2·8	0·0	0·7	1·5
Total	29·8	46·8	106·1	162·9	160·5	180·6	205·9	229·2	227·7	228·8
Principal forms of employing resources:										
Loans	9·8	11·5	40·8	102·7	123·1	134·5	133·8	131·8	147·7	157·4
Reserves	19·4	31·8	51·3	50·1	29·1	30·3	58·0	81·5	58·7	45·8
Bonds	0·0	0·0	0·0	0·0	0·1	0·1	2·5	4·8	8·1	9·0

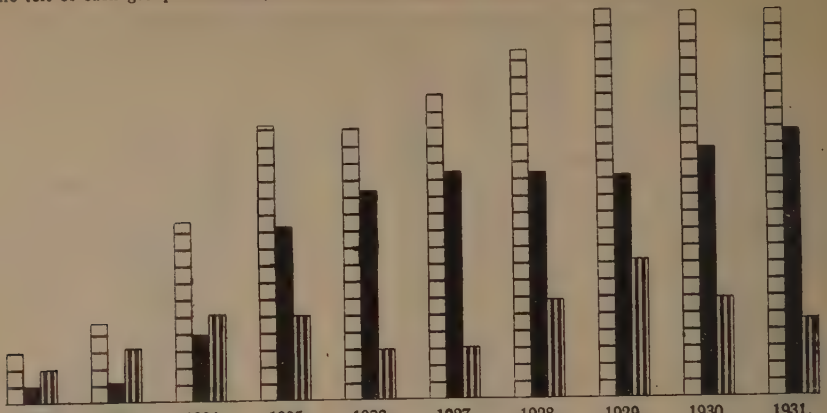
Last year, similar to the preceding year, brought a great change in the employment of resources, with a continuation of the tendency which prevailed in the preceding year, viz., the portion of resources utilized for credits increased, while the reserves decreased. The aggregate loans increased from 147·7 to 157.4 million lats, i. e., by nearly 10 million lats, thus attaining the largest amount of loans ever registered in Latvijas Banka.

Although the Bank pursued a very cautious *credit policy,* its aggregate loans increased by approximately 10 million lats last year, though the total amount of loans granted to private enterprise directly or through private credit institutions did not increase, but even decreased by 11·1 million lats. On the other hand, the loans granted to State institutions increased by 18·8 million lats (from 7·6 to 26·4 million lats) during the year. The latter credits increased chiefly owing to the new law regulating the purchase of inland corn by the Government. The Bank lent the Ministry of Agriculture about 16 million lats for this purpose.

The Bank did not deviate from its general credit policy last year. This policy aims at promoting domestic production and at adjusting the balance of foreign trade. In general, this policy is well adapted to our conditions, but the world economic crisis gives rise to various extraordinary circumstances which necessitate a recourse to extraordinary means for combating the increasing difficulties and foreign competition. In connection with the large and steady demand for foreign currency for the requirements of private enterprise, the Council of Latvijas Banka decided at the end of last year to undertake a general restriction of credits. It was found necessary to restrict gradually, and in some cases even to close, various credits granted to private credit institutions in towns and to commercial enterprises, but it was not considered expedient to restrict credits granted to industries and

Available Resources, Loans and Stable Reserves.

On the left of each group—resources, in the middle—loans, and on the right—reserves.



		1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Resources . .	lats, in millions	29·8	46·8	106·1	162·9	160·5	180·6	205·9	229·2	227·7	228·8
Loans . . .		9·8	11·5	40·8	102·7	123·1	134·5	133·8	131·8	147·7	157·4
Reserves . .		19·4	31·8	51·3	50·1	29·1	30·3	58·0	81·5	58·7	45·8

rationally utilized by the latter. Further, it was decided to restrict the loans granted to credit institutions in rural districts by not more than $^1/_{20}$, which represents the ordinary annual percentage of redemption conforming to the exceptionally cheap credit enjoyed by those credit institutions. Latvijas Banka does not intend to treat all cases alike, as such a uniform process would not be prudent. Every case calls for individual treatment, owing to the difference in the position of each enterprise in regard to the character of its operations and resources, the origin of its capital etc. Therefore, the Bank has resolved to accept or refuse bills presented for discount or rediscount, judging from the nature of the operations upon which the bills are based. The Bank began enforcing all these resolutions on January 1 of the current year.

It would be premature to judge upon the results of these measures at present, as this is the first time that a restriction of credits is taking place on a large scale in Latvia, and a comparison with conditions prevailing in other countries is not always adapted to exact conclusions. Though, in some cases, the restriction causes difficulties and complications for some enterprises, the final results of the measure are generally satisfactory, as far as national economy is concerned. In view of the characteristic conditions prevailing in this country, it is obvious that the restriction of credits by Latvijas Banka can render the desired results only in conjunction with an adapted State budget and credit policy, as banknotes present only about 45% of the aggregate circulation of money in Latvia, and the loans of Latvijas Banka amount to 157 million lats only, while the aggregate State and private credits in Latvia total about 600 millions.

The credits granted by Latvijas Banka to separate enterprises and private credit institutions show the following development:

Loans
(lats, in millions).

Year, month and day	To private persons & enterprises	%/% of the total	To credit institutions	%/% of the total	Total
1924. 1. I.	28·1	69	12·7	31	40·8
1925. 1. I.	64·1	62	38·7	38	102·8
1926. 1. I.	71·1	58	52·0	42	123·1
1927. 1. I.	72·0	54	62·5	46	134·5
1928. 1. I.	68·1	51	65·8	49	133·9
1929. 1. I.	61·4	46	70·4	54	131·8
1930. 1. I.	70·3	48	77·4	52	147·7
1931. 1. I.	82·0	52	75·4	48	157·4

The above figures reveal a small decrease of loans granted to credit institutions (by 2 million lats), which however is not due to the general restriction of credits (which has begun in the current year only), but to the gradual closure or writing off of credits to banks in difficulties. On the other hand, we observe a considerable increase of loans to separate enterprises, amounting to 11·7 million lats. In reality, the credits of Latvijas Banka to private enterprises have not increased, but even decreased, and only the credits to certain State enterprises have been augmented. On the whole, the credits granted to State enterprises increased by 18·8 million lats last year, while the loans to private enterprises decreased by 7·1 million lats. Principally owing to the increased credits to State enterprises, the percentage of loans to separate enterprises increased from 48 to 52% last year, while the loans to credit institutions decreased from 52 to 48%.

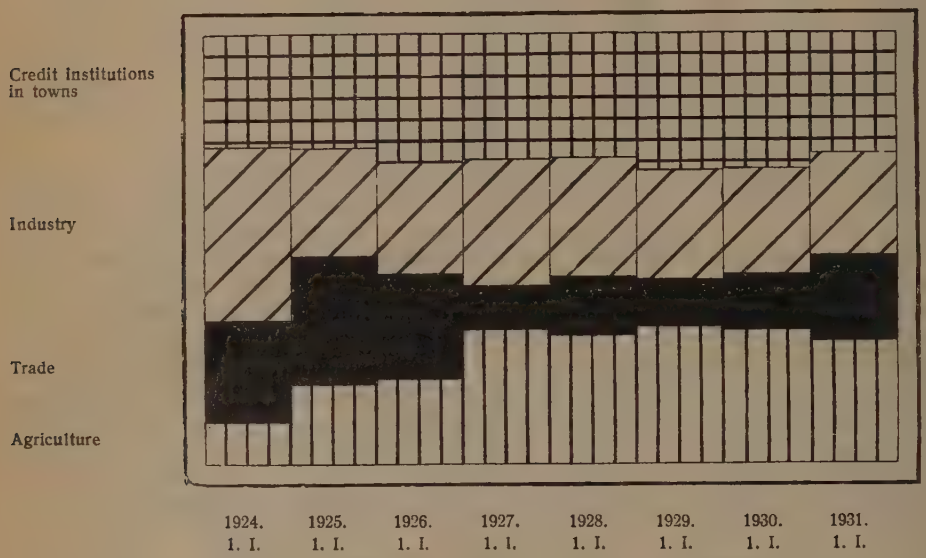
The Bank's credits have been distributed among the different economic branches as follows:

Classification of Loans according to Economic Branches
(lats, in millions).

Year, month and day	To industry	To commerce (State and private)	To farmers' organizations	To farmers	To credit institutions in the country	To credit institutions in towns
1924. 1. I. . .	15·6	9·2		1·1	2·7	10·1
1925. 1. I. . .	24·7	29·1		4·3	13·5	25·2
1926. 1. I. . .	29·6	28·0		4·7	17·8	34·2
1927. 1. I. . .	42·5	16·4	8·6	4·5	26·0	36·5
1928. 1. I. . .	37·1	18·4	9·6	3·0	27·3	38·5
1929. 1. I. . .	33·5	14·5	9·9	3·5	28·4	41·9
1930. 1. I. . .	36·2	19·3	9·6	5·3	30·8	46·6
1931. 1. I. . .	37·3	31·3	7·3	6·1	31·3	44·1

Thus, we observe that during the past year, only the credits to commerce (purchase of inland corn) increased considerably (by 12 million lats). The credits to the other economic branches underwent inconsiderable changes. For example, the credits to industry increased by one million lats, while the loans to agriculture decreased by one million, and to credit institutions in towns by 2·5 million lats, in consequence of the winding up of some enterprises.

Credit Distribution
(in percentages).



This diagram shows the percentage of the Bank's aggregate credits received by each economic branch on January 1 of each year since 1924. The corresponding figures are as follows:

Year, month and day	Industry	Commmerce	Agriculture	Credit institutions in towns
1924. 1. I.	40·3	23·8	9·8	26·1
1925. 1. I.	25·5	30·1	18·4	26·0
1926. 1. I.	25·9	24·5	19·7	29·9
1927. 1. I.	29·3	10·3	31·2	29·2
1928. 1. I.	27·7	13·8	29·8	28·7
1929. 1. I.	25·4	11·0	31·8	31·8
1930. 1. I.	24·5	13·1	30·9	31·5
1931. 1. I.	23·7	19·9	28·4	28·0

Let us now review the development of the Bank's credits to the principal economic branches separately:

Credits to Industry
(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Against bills	7·2	6·6	9·0	7·7	6·9	6·9	6·6	5·8
„ foreign drafts	?	?	?	5·8	1·5	2·4	3·2	4·3
„ bonds & other securities	4·4	7·8	8·4	12·8	13·9	14·3	14·2	13·7
„ goods	3·3	8·7	10·4	14·4	13·5	8·8	11·4	12·8
„ plant	0·7	1·6	1·8	1·8	1·3	1·1	0·8	0·7
	15·6	24·7	29·6	42·5	37·1	33·5	36·2	37·3

Thus, the credits granted to industry against merchandise and foreign drafts increased last year.

Credits to Commerce
(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Against bills	4·3	9·3	14·1	4·8	4·4	3·8	3·6	3·2
„ foreign drafts	?	?	?	3·6	1·3	2·0	3·5	0·0
„ bonds and other securities	0·8	3·5	3·1	1·2	2·0	5·2	9·7	19·5
„ goods	4·1	16·3	10 8	6·8	10·7	3·3	2·4	8·6
	9·2	29·1	28·0	16·4	18·4	14·5	19·2	31·3

Total with farmers' organizations.

This group embraces also the credits for State commercial operations. In accordance with its resolutions, the Bank restricts or closes entirely the credits to such enterprises as are engaged in the distribution of import goods.

Credits to Farmers' Organizations
(lats, in millions).

Classification	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Against bills	7·2	7·6	7·5	7·9	5·8
„ bonds and other securities	0·8	0·9	1·7	1·1	1·2
„ goods	0·6	1·1	0·7	0·6	0·3
	8·6	9·6	9·9	9·6	7·3

The decrease of these credits may be ascribed to the liquidation of some enterprises.

Credits to Farmers

(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Against mortgages on real property	0·1	4·2	4·6	4·5	2·9	3·5	5·3	6·1
Other credits	1·0	0·1	0·1	0·0	0·1	0·0	0·0	0·0
	1·1	4·3	4·7	4·5	3·0	3·5	5·3	6·1

The loans to farmers against mortgages on their real property increased last year again and attained the maximum.

Loans to Credit Institutions in Rural Districts

(lats, in millions).

Classification	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Against bills	2·7	9·1	10·4	20·0	25·6	28·4	30·8	31·3
„ agricultural plants .	—	4·3	5·3	6·0	1·7	0·0	0·0	0·0
Other credits	0·0	0·1	2·1	0·0	0·0	0·0	0·0	0·0
	2·7	13·5	17·8	26·0	27·3	28·4	30·8	31·3

These credits increased last year too, and reached their record extent. They consist largely of credits against bills "on call", repayable in annual instalments over a period of twenty years. As no credits of this kind will be granted any more, their total will decrease by 5% from year to year.

Furthermore, the Bank began last year to grant season-credits to farmers through their credit institutions. These credits present a new form of loan, designed for the requirements of one season only. They are granted in spring and have to be refunded by the end of the same year. A comparatively small amount (one and a half million lats) was granted for this purpose last year, so as to make the farmers and their credit institutions accustomed to repay such loans in due time. This was achieved in most cases.

Loans to Credit Institutions in Towns

(lats, in millions).

Classification	1924. 1, I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Against bills	8·9	21·0	29·8	31·6	33·4	35·7	39·1	38·7
„ bonds and other sec.	0·0	2·8	2·6	3·9	3·2	2·3	1·5	1·4
„ goods	1·2	1·4	1·8	1·0	1·9	3·9	6·0	4·0
	10·1	25·2	34·2	36·5	38·5	41·9	46·6	44·1

The credits granted against merchandise to this group of clients have decreased in connection with the interruption of activities of one bank.

Classification of Loans according to Securities

(lats, in thousands).

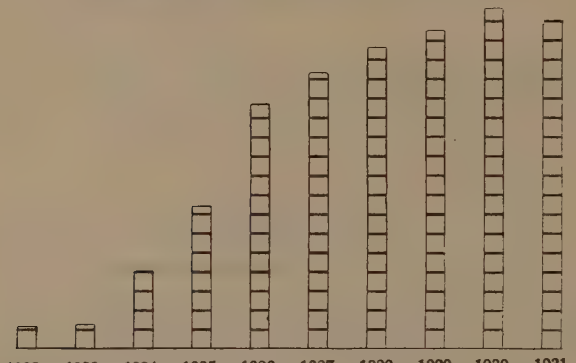
Form of security	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.	Difference as against the preceding year
Discounted bills	53,448	55,434	57,772	60,151	46,307	— 13,844
„ drafts	9,348	2,835	4,377	6,738	4,315	— 2,423
Bills "on call"	17,903	22,494	24,593	27,888	38,651	+ 10,763
Mortg. on real prop. in the country	4,754	3,298	3,695	5,535	6,443	+ 908
„ „ „ „ towns	12.308	11,165	17,400	16,466	15,167	— 1,299
Bonds and other securities	3,841	7,657	6,032	9,613	20,138	+ 10,525
Agricultural plant	8,277	2,377	114	11	1	— 10
Industrial plant	1,925	1,498	1,180	903	713	— 190
Goods	22,699	27,111	16,586	20,407	25,682	+ 5,275
	134,503	133,869	131,749	147,712	157,417	+ 9,705

The discount of bills decreased considerably last year (by 13·8 million lats), while the credits against bills "on call" increased by 10·8 millions. The discount of foreign drafts having decreased by 2·4 million lats, the total credit against bills is now $5^1/_2$ million lats less than a year ago. The loans against mortgages on real property in rural districts have increased by 0·9 million lats, while those against real property in towns decreased by 1·3 millions. The credits against bonds and other securities have increased perceptibly (by 10.5 million lats), presenting a total of 20·1 million lats. Further, the credits against merchandise have increased by 5·3 million lats, while those granted against industrial plant have been almost negligible lately.

The returns of bills and drafts discounted and on call last year were as follows: —

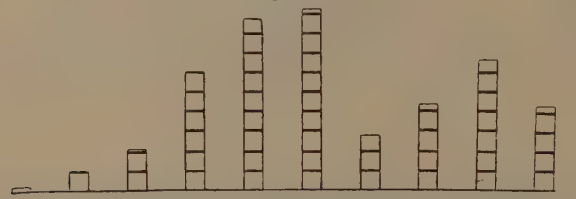
Balance of January 1, 1930	Ls	94,777,253·73
Discounted in 1930	„	301,599,860·69
	Ls	396,377,114·42
Redeemed in 1930	„	307,104,716·23
Balance on January 1, 1931	Ls	89,272,398·19

Discounted Bills and Bills "on call".



	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Lats, in millions:	5·6	6·1	20·1	36·9	63·4	71·4	77·9	82·4	88·0	85·0

Foreign drafts.

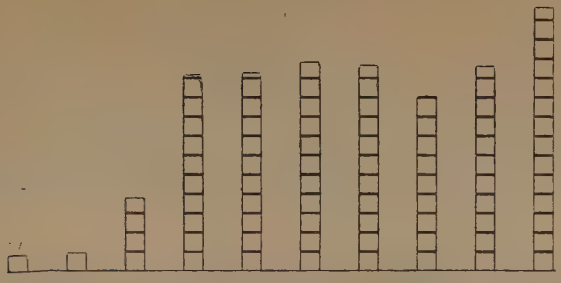


	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Lats, in millions:	0·2	1·0	2·1	6·1	8·8	9·3	2·8	4·4	6·7	4·3

The returns of other loan operations in the past year were as follows: —

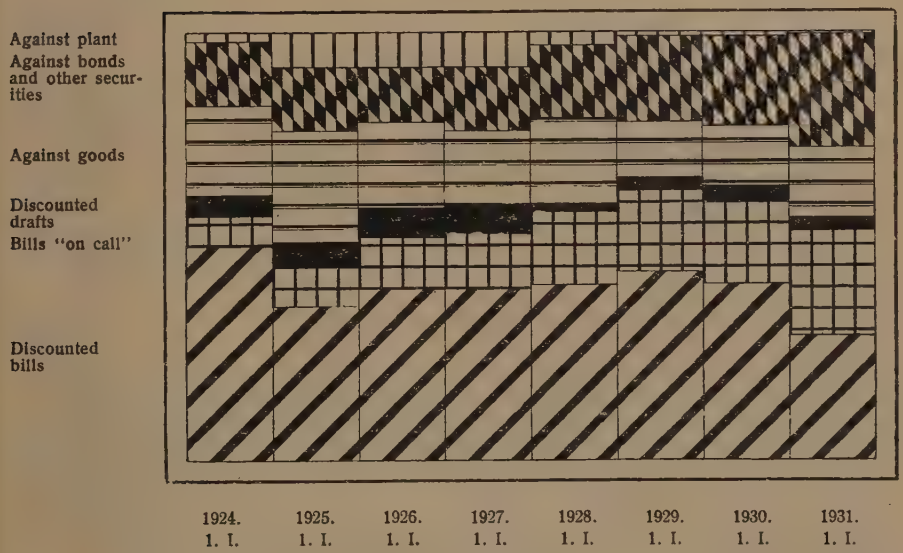
Balance of January 1, 1930	Ls	52,935,278·72
Paid out in 1930	„	88,907,662·75
	Ls	141,842,941·47
Refunded in 1930	„	73,698,087.10
Balance on January 1, 1931	Ls	68,144,854·37

Other Loans.



	1922. 1. XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. I. 1.	1931. 1. I.
Lats, in millions:	4·1	4·4	18·5	50·7	51·0	53·8	53·1	45·1	52·9	68·1

Distribution of Loans (in percentages).



The above diagram reveals the changes which have taken place in the percentages of the Bank's loans during the last six years. The corresponding figures are as follows: —

Security	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Discounted bills	50	36	40	40	41	44	41	29
Bills "on call"	7	9	12	13	17	19	19	25
Foreign drafts	5	6	7	7	2	3	4	3
Bonds & other securities	15	15	13	15	17	20	21	27
Plant	2	8	8	8	3	1	1	0
Goods	21	26	20	17	20	13	14	16

The loan rates of Latvijas Banka were partly altered last year. Since January 1, 1930 the rate of interest has been lowered on loans granted to agriculture through rural credit institutions; since October 1 to private persons and companies. And at the same time the conditions of crediting private credit institutions in towns were altered. Formerly, there were two different rates of interest, applicable according to the rate charged by private credit institutions for their loans. The lower rate is now actually applied to all urban credit institutions, and the latter have lowered their rates from 11 —12% to 10—10½%.

The actual rates of Latvijas Banka are as follows:

To private persons and societies:

a) for discount of bills 8%
b) for all other loans and special current accounts 7½%

To credit institutions in towns:

a) for rediscount of bills 6%
b) for all other loans and special current accounts 6½%

To credit institutions in rural districts:

a) for rediscount of bills and special current accounts secured by bills 5%
b) for all other loans and special current accounts 6½%
c) for rediscount of bills and special current accounts secured by bills granted before January 1, 1930 . . . . . 3%
at the end of each year, 1/20 of these credits is transferred to general conditions with the ordinary interest rates.

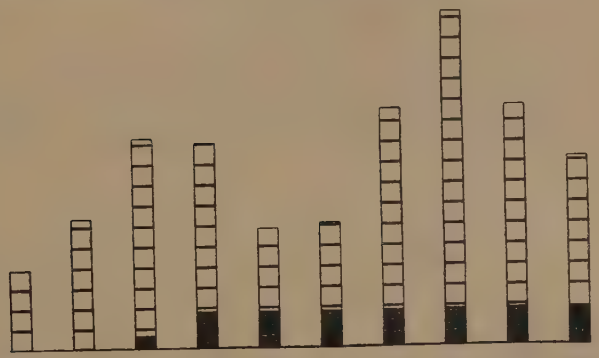
To farmers:

a) for loans secured by mortgages on real estate in the country . 5½%
b) for special current accounts of a similar nature 6½%

For discount of export drafts 6%

The greater part of the Bank's *stable reserves* destined for the cover of issue is composed of stable foreign currency. The smaller part thereof consists of *gold*. With the exception of the first few years of the Bank's existence when certain quantities of gold were purchased abroad, the gold reserves of the Bank have been practically stable all the time. The stock of gold totals 9·3 million lats, as against 9·2 million lats a year ago and 8·9 millions six years ago. The Bank purchases only gold which is offered in this country, and does not endeavour to augment its stock, as no interest is paid on gold deposits abroad.

Gold and Foreign Currency.



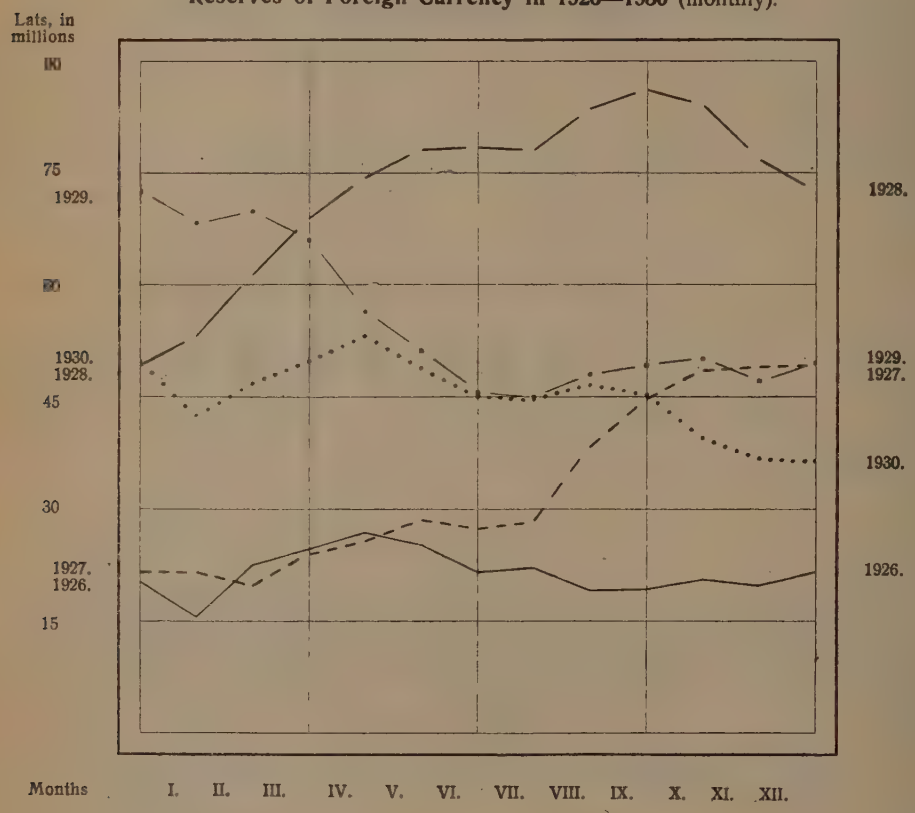
Lats, in millions:	1922. 1.XI.	1923. 1. I.	1924. 1. I.	1925. 1. I.	1926. 1. I.	1927. 1. I.	1928. 1. I.	1929. 1. I.	1930. 1. I.	1931. 1. I.
Foreign currency . .	19·3	31·6	48·3	41·2	20·2	21·4	49·1	72·5	49·5	36·5
Gold	0·1	0·2	3·0	8·9	8·9	8·9	8·9	9·0	9·2	9·3

Besides its own stock of gold, the Bank also has in its safekeeping the gold fund of the Latvian State, amounting to 14·7 million lats. The latter fund is for covering the State Treasury notes in circulation, to the extent of 25%, according to law. The Bank's returns of gold were small last year, as in the preceding year:

Balance on January 1, 1930	Ls 23,932,977·24
Bought in 1930	„ 267,142·28
	Ls 24,200,119·52
Sold in 1930	„ 127,898·11
Balance on January 1, 1931	Ls 24,072,221·41

The development of the stock of *foreign currency* in Latvijas Banka was rapid and fluctuant last year. From 49·5 million lats on January 1, 1930 the stocks decreased to 42·5 millions in the first month. An increase then set in, resulting in a total of 53 million lats on May 1, which was the largest monthly balance during the past year. A decrease then followed, and this continued with a short interruption up to the end of the year, so that by the 1st of January 1931 the reserves had decreased to 36·5 million lats, i. e., by 13 millions less than a year ago. The monthly development of the foreign currency reserves in Latvijas Banka is illustrated in the following diagram:

Reserves of Foreign Currency in 1926—1930 (monthly).



The influence of the different months on the movement of foreign currency is not uniform. Nevertheless, each month has a certain peculiarity, which continues year by year, as illustrated in the following table:

Fluctuation of Foreign Currency in Latvijas Banka

(lats, in millions).

	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
1926.	— 4·7	+ 6·9	+ 2·2	+ 2·2	— 1·6	— 3·7	+ 0·6	+ 1·6	+ 0·3	— 0·3	— 0·9	+ 1·8
1927.	0	— 1·9	+ 4·2	+ 1·9	+ 2·8	— 1·2	+ 0·9	+ 10·4	+ 6·0	+ 3·9	+ 0·5	+ 0·2
1928.	+ 3·9	+ 8·2	+ 7·6	+ 5·5	+ 3·8	+ 0·3	— 0·5	+ 5·7	+ 2·5	— 2·1	— 7·3	— 4·2
1929.	— 4·2	+ 1·6	— 3·9	— 9·7	— 5·1	— 5·6	— 0·5	+ 3·0	+ 1·2	+ 0·9	— 3·1	+ 2·4
1930.	— 7·0	+ 4·3	+ 3·0	+ 3·3	— 4·2	— 3·8	— 0·5	+ 2·0	— 1·2	— 5·9	— 2·8	— 0·3
In 5 years . .	— 12·0	+ 19·4	+ 13·1	+ 3·3	— 4·3	— 14·0	0	+ 19·5	+ 8·8	— 3·5	— 13·6	— 0·1
Yearly average	— 2·4	+ 3·9	+ 2·6	+ 0·7	— 0·9	— 2·8	0	+ 3·9	+ 1·8	— 0·7	— 2·7	— 0·0

Thus, there are two periods in the year augmenting the stocks of foreign currency: the first is from February to April, and the second from August to December. In general, the stocks of foreign currency undergo no change in July. December's influence is uncertain. The stocks generally decline in the other five months.

The Bank's returns of foreign currency decreased last year by more than one-fifth, as compared with 1929. They were as follows:

Balance on January 1, 1930	Ls	49,491,075·39
Bought in 1930	„	202,401,658·98
	Ls	251,892,734·37
Sold in 1930	„	215,441,810·35
Balance on January 1, 1931	Ls	36,450,924·02

A noticeably rapid efflux of foreign currency took place in the last months of 1930, due partly to the excess of imports in our foreign trade returns and partly to the repayment of large sums of foreign credit by private banks. There is some connection between the large extent of import and the credit inflation in the State's long term credit institutions. The State loans aggregated 443 million lats on January 1 of the current year, having increased by 43 millions in the past year. Thereby, the credits granted by Latvijas Banka are not much more than one-third of the aggregate State credits. Thus, in the conditions actually obtaining, the Latvijas Banka is not the only competent institution, able to prevent the efflux of foreign currency. The Bank is doing its part in this direction by enforcing a restriction of credits, as already mentioned in connection with the Bank's credit policy.

The amount of *bonds* at the Bank's disposal increased from 8·1 to 9·0 million lats last year. This increase was not caused by the purchase of further mortgages of the State Land Bank or of the Latvian Mortgage Bank, the total extent of which has not increased, but by the purchase of 500 shares of the Bank for International Settlements for the sum of 1,250,000 lats. The returns of bonds were as follows last year:

Balance on January 1, 1930	Ls	8,068,144·13
Bought in 1930	„	2,226,315·68
	Ls	10,294,459·81
Sold in 1930	„	1,305,469·59
Balance on January 1, 1931	Ls	11,599,929·40

The bonds in the possession of Latvijas Banka consist of the following items (nominal value):

Shares of the Bank for International Settlements	Ls	1,250,000·—
Mortgages of the State Land Bank . . .	„	4,692,400·—
Mortgages of the Latvian Mortgage Bank	„	4,497,600·—
Mortgages of the Latvian Inland Loans .	„	42,639·—
Total . .	Ls	10,482,639·—

The returns of *Latvian State moneys* were somewhat smaller than in the preceding year:

Balance on January 1, 1930	Ls	18,445,655·31
Paid in in 1930	„	839,664,804·26
	Ls	858,110,459·57
Paid out in 1930	„	838,788,437·43
Balance on January 1, 1931	Ls	19,322,022·14

The returns of *postal cheques* decreased last year, as in the preceding year:

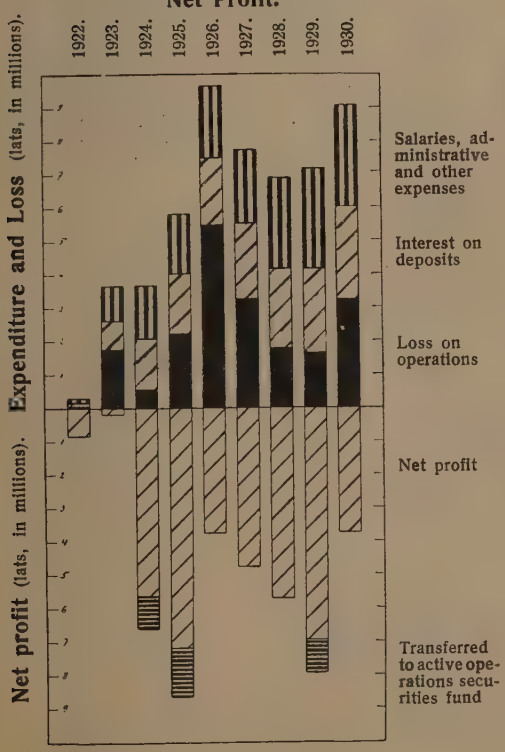
Balance on January 1, 1930	Ls	667,313·23
Paid in in 1930	„	29,152,058·91
	Ls	29,829,372·14
Paid out in 1930	„	29,420,299·86
Balance on January 1, 1931	Ls	409,072·28

The Profit and Loss of Latvijas Banka presented the following picture in all the years since the Bank's foundation:

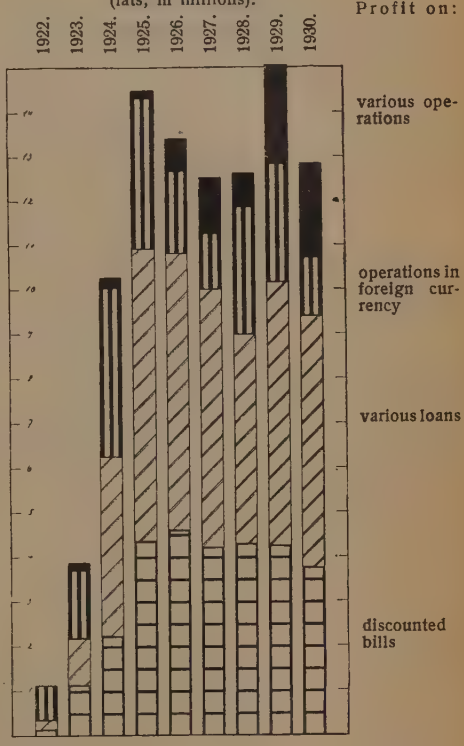
Profit and Loss (lats, in thousands).

	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.	1930.
Profit:									
On credit operations	169	2,154	6,234	10,909	10,836	9,981	8,962	10,159	9,377
On transact. and depos. in foreign curr.	929	1,518	3,907	3,393	1,826	1,254	2,893	2,701	1,365
Sundries	19	204	130	199	745	1,301	763	2,266	2,098
Total	1,117	3,876	10,278	14,501	13,407	12,536	12,618	15,126	12,840
Expenditure and Loss:									
Loss on operations	55	1,755	545	2,238	5,486	3,277	1,781	1,634	3,221
Interest	76	849	1,516	1,760	2,046	2,269	2,376	2,512	2,775
Salaries, administrative expenses, wear and tear etc.	130	1,090	1,618	1,853	2,122	2,206	2,746	3,032	3,078
Transfer. to active operat. security fund	—	—	1,000	1,500	—	—	—	1,000	—
Total expenditure and loss	261	3,694	4,679	7,351	9,654	7,752	6,903	8,176	9,074
Net profit	856	182	5,598	7,150	3,753	4,784	5,715	6,948	3,766
	1,117	3,876	10,277	14,501	13.407	12.536	12.618	15.126	12,840

Expenditure, Loss and Net Profit.



Gross profit (lats, in millions).



Debit **Profit and**

	Lats	c.	Lats	c.
Paid:				
Interest on deposits	868,827	56		
„ „ current accounts	1,842,266	97		
„ „ current a/c. of correspondents	63,835	89	2,774,930	42
Current expenditure:				
Salaries and fees	2,520,478	72		
Administrative expenses	223,513	50		
Household expenses	210,781	06	2,954,773	28
Wear and tear of furniture, fixtures and real estate, written off			108,043	74
Loss on protested bills, spec. curr. a/c., termin. loans, commercial credits and warrants			3,220,916	31
Loss on sundries			15,525	92
			9,074,189	67
Net profit			3,765,941	73
			12,840,131	40
Apportioning of the net profit in conformity with the Bank's statutes:				
To founded capital 25%			941,485	43
„ reserve fund 10%			376,594	17
„ bonuses			205,087	09
„ State Revenue			2,242,775	04
			3,765,941	73

Loss Account 1930. *Credit*

	Lats	c.	Lats	c.
Interest and commission received:				
On discount operations:				
On discounted drafts	295,522	32		
„ „ bills	3,472,267	38		
„ special curr. a/c. secured by bills	1,346,050	78	5,113,840	48
On special curr. a/c. and loans:				
Against mortgages on real property	2,409,506	24		
„ agricultural & industrial plant	56,484	—		
„ goods	1,797,520	31	4,263,510	55
On current a/c. of correspondents			1,166,811	19
On warrants			298,162	01
On commission operations			213,050	80
Written off sums recovered			863,578	18
Profit on exchange difference:				
On foreign gold and silver money	5,389	07		
„ money and drafts in cash and with correspond. and on spec. curr. a/c. in foreign currency	192,701	78	198,090	85
On bonds			723,087	34
			12,840,131	40

Assets

Balance Sheet

	Lats	c.	Lats	c.
Stock of gold:				
Foreign gold specie in cash	1,466,256	47		
Gold bullion belonging to the Bank, abroad	7,873,074	19		
„ „ deposited by the Exchequer	14,732,890	75	24,072,221	41
Foreign currency:				
Foreign silver money in cash	147	59		
„ money in cash	375,536	92		
„ „ abroad (Correspond. a/c. "Nostro")	36,075,239	51	36,450,924	02
Latvian State money:				
silver money, treasury notes and small coin			19,322,022	14
Postal cheques			409,072	28
Bonds			8,988,990	22
Short term bills:				
discounted foreign drafts	4,314,855	81		
„ bills	45,359,892	21		
„ „ with branches and correspondents	947,107	29		
spec. curr. a/c. secured by bills	38,650,542	88	89,272,398	19
Special current accounts and loans:				
against obligations on real property and other values	41,747,280	11		
„ agricultural and industrial plant	714,487	53		
„ goods	25,683,086	73	68,144,854	37
Inventory and real property:				
inventory	297,182	39		
real property	357,149	55	654,331	94
Other assets			2,212,319	62
			249,527,134	19
Bills & documents for collection			6,895,605	60
Transitory values			99,704,713	61
Various securities			202,602,321	15

Deputy Chief Accountant: *J. Spilners.*

January 1, 1931.

Liabilities

	Lats	c.	Lats	c.
Capital:				
capital fully paid up	18,734,925	25		
reserve fund	4,351,986	53		
the Bank's active operations security fund	3,500,000	—	26,586,911	78
Banknotes issued			49,629,790	—
Deposits:				
fixed deposits	5,104,603	67		
net demand deposits	15,481,134	85	20,585,738	52
Current accounts:				
current accounts	51,800,780	67		
„ „ not bearing interest	5,612,166	23		
„ „ in foreign currency	774,257	88		
correspondents a/c. "Loro"	2,778,696	89	60,965,901	67
Exchequer			86,896,690	88
Profit and loss: net profit for 1930			3,765,941	73
Other liabilities			1,096,159	61
			249,527,134	19
Delivered warrants & acceptances			12,174,390	24

Director General: *K. Vanags.* Deputy Director General: *V. Bandrevičs.*

Directors: *E. Ozoliņš, J. Stalbovs, St. Kambala.*

BRANCHES OF THE LATVIJAS BANKA IN LATVIA.

EXECUTING ALL BANKING OPERATIONS:

Cēsis (Wenden)	Manager	*M. Bērziņš*
Daugavpils (Dvinsk)	„	*V. Oglevics*
Jelgava (Mitau)	„	*J. Lecis*
Liepāja (Libau)	„	*A. Dumpe*
Rēzekne (Rezhitsa)	„	*J. Millers*
Valmiera (Wolmar)	„	*P. Kuplis*
Ventspils (Windau)	„	*M. Caunītis*

EXECUTING ALL INLAND BANKING OPERATIONS:

Alūksne (Marienburg)	Manager	*J. Ādlers*
Bauska	„	*K. Broks*
Kuldīga (Goldingen)	„	*K. Pinkovskis*
Tukums	„	*Kr. Vītols*

OPERATIONS OF WHICH ARE LIMITED:

Aizpute (Hasenpoth)	Manager	*A. Alļe*
Balvi	„	*H. Priedītis*
Jaunjelgava (Friedrichstadt)	„	*Ž. Fogelmanis*
Jēkabpils (Jakobstadt)	„	*F. Skujskubris*
Limbaži (Lemsal)	„	*K. Cīrulis*
Ludza (Lutzin)	„	*P. Jumars*
Madona	„	*P. Apsītis*
Rūjiena	„	*V. Leimanis*
Saldus (Frauenburg)	„	*F. Gailis*
Smiltene	„	*E. Apse*
Talsi	„	*F. Grīnvalds*
Valka	„	*J. Ķimins*

THE ECONOMIC POSITION IN 1930.

State Finances and Credits.

The results of the budget year 1930/31 differ considerably from those of former years. Instead of a surplus, there was a small deficit. With the exception of the inceptive period, year by year the State Budget rendered a certain residue, which averaged during eight years approximately 9 million lats. This average was surpassed in certain years.

The *budgetary residue* totalled:

In the budget year	1922/23	21·6 million lats
„ „ „ „	1923/24	32·6 „ „
„ „ „ „	1924/25	17·1 „ „
„ „ „ „	1925/26	1·5 „ „
„ „ „ „	1926/27	4·6 „ „
„ „ „ „	1927/28	11·5 „ „
„ „ „ „	1928/29	6·3 „ „
„ „ „ „	1929/30	11·8 „ „

The final result of the budget year 1930/31 is not yet known, but there are provisional data available on April 1 of the current year, after which date there can be no increase of Revenue, but certain additions are made to Expenditure. Compared with the preceding year, the *State Revenue and Expenditure* during the budget year has been as follows:

	1929/30 1. IV.—1. IV.	1930/31 1. IV.—1. IV.	Difference
	(lats, in millions)		
State Revenue	195·0	172·5	— 22·5
„ Expenditure	175·7	169·5	— 6·2
Surplus	19·3	3·0	— 16·3

Thus, in the past budget year State Expenditure decreased by 6·2 million lats, but Revenue decreased considerably more, — by 22·5 millions, and so the surplus totals only 3 millions, i. e., 16·3 million lats less than a year ago. Though

no definite opinion can be formed yet as to the results of the past year's budget, an approximate picture can be obtained by making a comparison with the figures for the corresponding period of the preceding year. That year was closed with a final surplus of 11·8 million lats. The provisional surplus on April 1 of the current year being 16·3 million lats smaller than a year ago, a deficit of 4—5 million lats may be expected this year. In particular, the revenue from customs, the spirit monopoly and State forests has decreased.

The new budget, as proposed for the fiscal year 1931—32 has been provisionally approved by the Government at a total of 178·5 million lats. Compared with the budgets of the past three years, the development has been as follows:

	Lats, in millions	1928/29 = 100
Budget for 1928/29 (with additional budget)	207·7	100
„ „ 1929/30 „ „ „	186·5	90
„ „ 1930/31 „ „ „	178·6	86
„ project for 1931/32	178·5	86

It will be observed that the last two budgets are approximately equal and are smaller than the previous two budgets, which were augmented by additional budgets with the help of resources taken from budgetary residues. There was no additional budget last year, but large sums were taken additionally, by special legislation, from the State reserves, which led to a decrease of the Reserve Fund by about 18 million lats.

The expected excess of ordinary Revenue over ordinary Expenditure is only 37·6 million lats this year, as against 48·4 millions expected in the preceding year. Extraordinary Expenditure is estimated at 7·4 million lats less than a year ago, and extraordinary Revenue 3·4 million lats larger.

	Budget for 1930./31	Budget for 1931./32
	(lats, in millions)	
Revenue		
Ordinary	175·4	171·9
Extraordinary	3·2	6·6
Expenditure		
Ordinary	127·0	134·3
Extraordinary	51·6	44·2
Total Budget	178·6	178·5

The following comparative data serve to reveal the foundation upon which the expected Revenue is based:

	Actual Revenue for 1929./30	Budget for 1930./31	Budget project for 1931./32
	(lats, in millions)		
Taxes	110·4	101·0	101·9
income tax	4·1	3·5	4·0
real estate tax	4·8	4·2	4·8
trade & industry tax	4·8	4·8	4·8
stamp duty	9·9	9·4	10·0
custom duties	64.0	56·5	55·4
excise	19·6	19·8	20·1
Various dues	11·8	11·0	11·6
Monopolies	31·6	32·2	35·9
spirit monopoly	24·8	29·5	28·9
State property	14·3	13·9	8·8
State forests	12·8	12·3	7·2
State enterprises	13·4	6·7	8·2
State railways	9·6	5·8	6·7
State Banks and capital	8·1	11·3	9·1
State Banks	3·6	4·3	3·3
State bonds	4·6	7·0	5·8
State loans	3·9	0·0	0·0
Sundries	4·4	2·5	3·0

In comparison with the preceding year, the new Budget project foresees a smaller Revenue from State forests, which is comprehensible in view of the crisis in the timber market and the poor results of recent forest auctions. The amount of revenue expected from customs is also smaller than a year ago, the import having decreased in general. The expected revenue from the profit of State Banks and from interest on State loans is smaller than hitherto, the rates of interest on loans having been lowered recently. On the other hand, more revenue is expected from State monopolies, inter alia 4,150,000 lats from a new issue of silver specie. The principal monopoly item, viz., the spirit monopoly appears in the budget project with a somewhat smaller sum (28·9 million lats as against 29·5 millions a year ago). The spirit monopoly rendered less revenue last year than was expected.

The percentages of various items of Revenue, as compared with previous years, are as follows:

	Actual Revenue 1929/30	Budget for 1930/31	Budget project for 1931/32
	(in percentages of the aggregate budget)		
Taxes	56	57	57
Various dues	6	6	6
Monopolies	16	18	20
State property	7	8	5
State enterprises	7	4	5
State Banks	4	6	5
State loans	2	0	0
Sundries	2	1	2

The Expenditure in the new Budget differs from that of former years, especially in regard to the smaller amount of State credits, totalling only 8 million lats, as against 15 millions in the Budget of the preceding year and 17·5 millions actually distributed in 1929/30. The Fund for Economic Reconstruction, composed of the sums assigned every year for crediting private enterprise, developed every year as follows:

On April 1, 1922	—	14·8	million lats
„ „ 1, 1923	—	16·7	„ „
„ „ 1, 1924	—	30·7	„ „
„ „ 1, 1925	—	47·8	„ „
„ „ 1, 1926	—	65·7	„ „
„ „ 1, 1927	—	89·2	„ „
„ „ 1, 1928	—	140·9	„ „
„ „ 1, 1929	—	189·2	„ „
„ „ 1, 1930	—	220·2	„ „
„ „ 1, 1931	about	240	„ „

The resources of this Fund have been distributed principally in the form of credits to agriculture and industry through the medium of the two State long term credit institutions. And if to these sums we add the credits granted by Latvijas Banka, we observe the following development of State credits from year to year:

State Loans
(lats, in millions).

	Latvijas Banka	State Land Bank	State Mortgage Bank	Ministry of Finance	Total
1. I. 1927	134·5	77·6	19·6	9·1	240·8
1. I. 1928	133·9	111·5	25·4	9·7	279·5
1. I. 1929	131·8	144·5	37·3	10·4	324·0
1. I. 1930	147·7	178·9	48·3	23·3	398·2
1. I. 1931	157·4	200·2	61·8	23·6	443·0

The resources for these loans have been acquired by the State almost exclusively in Latvia. Besides the Fund for Economic Reconstruction, there are the State Reserve Fund and the Gold Fund. The bulk of the latter two funds is deposited in Latvijas Banka.

Our aggregate *State Debts* are not large, compared with the debts of other countries. These debts amounted altogether to 116·1 million lats on January 1 of the current year, and consisted of the following items: The debt to the British Government amounting to 48·5 million lats, to the Government of the United States of America — 35·7 millions, the 6% foreign loan, obtained through Swedish medium — 31·1 millions, and inland loans — only 0·8 million lats. Compared with these debts, State property is very considerable, and amounted to one and a half milliard lats on April 1, 1930, comprising inter alia State forests for about 600 million lats, State railways for about 430 millions and various Funds amounting to about 340 million lats.

Private Credit Institutions.

The activities of our private credit institutions showed practically no increase last year, the aggregate balance sheet having increased by 3% only, as against 20% in the preceding year. This slow development is in keeping with the unfavourable economic conditions which prevailed last year and still continue. Though at the beginning of the year it was expected that large timber transactions would render favourable results, it soon became evident that this branch would also be affected by the general economic depression.

The following aggregate balance sheet portrays the development of all Latvian private credit institutions. In the absence of the final reports for the past year, the results of the monthly balance sheets on January 1 are given here. In respect of the small loan and savings banks the calculation is based on the particulars of their recent development. The data for the preceding year are based on the same principle.

Balance of Private Credit Institutions on January 1.
(Lats, in millions.)

Accounts	1930	1931	Difference	Difference in %%
Assets:				
Cash	8·2	8·3	+ 0·1	+ 1
Current accounts in Latvijas Banka	3·9	4·8	+ 0·9	+ 3
„ „ „ other credit institutions	5·4	6·5	+ 1·1	+ 20
Foreign Currency	9·0	8·6	— 0·4	— 4
Bonds	5·0	6·3	+ 1·3	+ 26
Discounted Bills	106·0	109·5	+ 3·5	+ 3
Special current accounts	93·2	93·8	+ 0·6	+ 1
Loans	60·5	68·6	+ 8·1	+ 13
Commercial credits	3·6	1·6	— 2·0	— 56
Correspondents	23·1	15·9	— 7·2	— 31
Protested Bills	1·8	2·1	+ 0·3	+ 17
Real property	20·8	21·7	+ 0·9	+ 4
Sundries	33·3	36·0	+ 2·7	+ 8
Total	373·8	383·7	+ 9·9	+ 3
Liabilities:				
Capital	48·1	51·2	+ 3·1	+ 6
Reserve fund and special reserve	9·7	11·1	+ 1·4	+ 14
Fixed deposits	15·5	19·2	+ 3·7	+ 24
Net demand deposits	17·8	21·7	+ 3·9	+ 22
Current accounts	86·8	96·1	+ 9·3	+ 11
Rediscount in Latvijas Banka	46·5	37·5	— 9·0	— 19
„ „ other credit institutions	13·4	12·8	— 0·6	— 5
Loans and special current a/c.	44·5	46·8	+ 2·3	+ 5
Correspondents	29·6	27·1	— 2·5	— 8
Sundries	61·9	60·2	— 1·7	— 3
Total	373·8	383·7	+ 9·9	+ 3

The development of our credit institutions depends upon the amount of resources at their disposal. These resources increased very slowly last year, — on the average by 5%, as against 20% in the preceding year, embracing the following items: own capital, deposits and loans received (correspondents accounts are of an uncertain character in our private credit institutions and are therefore not suitable for the purpose of comparison).

The aggregate capital of our credit institutions totals 62 million lats, having increased by 7% last year, as against 5% in the preceding year. The development of capital last year was of a different character from that of the preceding year. Last year's increase arose almost exclusively from the apportionments of the preceding year's profit, no new institutions of importance having been established and no increase of capital having taken place during the period under review. However, there were also no losses of capital such as were registered in the preceding year. Inter alia, it may be observed that our credit institutions received no fresh sums of foreign capital of any importance last year.

The development of deposits in private credit institutions was satisfactory last year, though it was not so brisk as in the preceding year. The aggregate deposits increased by 14%, as against 24% in 1929. The aggregate deposits in our private credit institutions now present a total of 137 million lats. Similar to the preceding year, fixed deposits increased rapidly last year, while the current accounts which form the bulk of the aggregate deposits, increased more slowly.

The decrease of the total amount of loans received by the private credit institutions from Latvijas Banka or from other banks, represents the principal turn in the development of their resources. Hitherto, these loans had increased perceptibly year by year, and in 1929 for example the increase even totalled 24%. Last year, however, they decreased by 7%. This may be attributed partly to the cautious credit policy of Latvijas Banka (not to the new credit restriction which has actually begun in the current year 1931) and partly to the attitude of our banks in refraining from employing further expensive foreign credits, the latter being no longer profitable since the general lowering of loan rates in this country since October 1, 1930. Finally, the general increase of other resources (in the form of capital and deposits) in our credit institutions was of some significance. The slow trend of business was not conducive to an increase of credit operations, and so loans from other credit institutions were not so necessary as heretofore.

Classifying the resources of private credit institutions into such as are collected by themselves (capital and deposits) and such as are collected by others (rediscount and loans in other banks), we observe that in the past year the relative importance of the former group of resources in the aggregate balance sheet increased considerably. The own collected resources amount to 67% of the aggregate balance sheet, as against 63% a year ago. Last year, all groups of credit institutions became less dependent on resources received from other banks. The small loan and savings banks are still the most dependent on such resources and are therefore the least independent in their activities, but even the own collected resources of these banks have already attained 55%, as against 51% a year ago. In mutual credit societies the own collected resources total

71% (as against 69% a year ago), in joint-stock banks 72% (67%), in Exchange and town banks 79% (75%), and in town savings banks even 89% (87%). The own collected resources in all our credit institutions total two-thirds, and the resources collected by others — one-third. Progress is being made in the right direction, leading to greater independence of our credit institutions and thereby to a more rational employment of their resources.

Resources of our Credit Institutions.

Groups of credit institutions	Own collected resources				Means from other sources			
	1. I. 1930.		1. I. 1931.		1. I. 1930.		1. I. 1931.	
	Ls, in mill.	%%	Ls, in mill.	%%	Ls, in mill.	%%	Ls, in mill.	%%
Joint-stock banks	83·9	67	85·5	72	42·2	33	32·3	28
Exchange and town banks .	16·5	75	21·8	79	5·5	25	5·8	21
Town and com. savings banks	4·8	87	5·6	89	0·7	13	0·7	11
Mutual credit societies . .	25·0	69	28·9	71	10·9	31	11·6	29
Loan and savings banks .	47·7	51	57·5	55	45·1	49	46·7	45
All credit institutions . .	177·9	63	199·3	67	104·4	37	97·1	33

While the resources of credit institutions increased by 14 million lats last year, the extent of their aggregate credits increased by 10 millions (from 263 to 273½ million lats) or by 4%, as against an increase of 25% in the preceding year. Deducting the loans received by credit institutions in Latvijas Banka and other banks — 97 million lats — from the aggregate loans distributed by our private credit institutions, there remains a sum of 176 million lats, which figure represents the actual amount of private short term credits in Latvia. Judging from the aggregate balance sheet, there were no important changes in the form of the credits distributed during the past year.

The cash reserve of our credit institutions and their current accounts in Latvijas Banka increased slightly last year, but are still insufficient, not exceeding 3½% of the aggregate balance sheet. The excessive number of credit institutions — 678 (as against 661 a year ago) is not adapted to the actual requirements in this country. The limited resources and the small scope of activities necessitate the employment of all available resources in loan operations and preclude the possibility of maintaining sufficient reserves.

It is not yet possible to estimate the final results of our credit institutions' activities for the past year on the basis of previous data alone, there being no final conclusions as to the extent of loss written off. The current revenue of credit institutions in the form of interest and commission has increased more than current expenditure, but some of the joint-stock banks will have to write off large sums lost particularly in the financing of timber transactions. The rate of interest on loans, which was lowered on October 1, 1930 (from 11—12% to 10—10½%) and the diminished intermediary profit rate (on sums received from Latvijas Banka it has decreased from 4½—5% to 4%) will doubtless lead to a diminution of bank profits in the current year. The restriction of credits by Latvijas Banka will have a similar effect, by diminishing the available resources of the credit insti-

tutions. This will perhaps induce some of the credit institutions to consider the possibility of rationalizing their organization and amalgamating with other credit institutions.

Balance of Private Credit Institutions on January 1 (lats, in millions).

Accounts	Joint-Stock Banks		Exchange and Town Banks		Communal Savings Banks		Mutual Credit Societies		Loan and Savings Banks	
	1930	1931	1930	1931	1930	1931	1930	1931	1930	1931
Assets.										
Cash	3·9	3·8	1·8	1·4	0·0	0·1	1·3	1·5	1·2	1·5
Current a/c. in Latvijas Banka	1·7	2·4	0·1	0·1	0·2	0·1	1·1	1·0	0·8	1·2
„ „ „ other cred. instit.	1·3	1·5	0·0	0·0	0·7	0·7	0·8	0·8	2·6	3·5
Foreign currency	7·3	5·5	1·5	2·8	0·0	0·0	0·2	0·3	0·0	0·0
Bonds	3·5	4·3	0·2	0·4	0·0	0·0	0·6	0·7	0·7	0·9
Discounted bills	44·6	39·1	9·0	11·6	2·3	2·8	21·7	26·6	28·4	29·4
Special current accounts	77·4	75·3	6·1	7·2	0·6	0·9	6·0	6·8	3·1	3·6
Loans	2·2	2·3	3·0	2·9	1·3	1·6	1·5	1·1	52·5	60·7
Commercial credits	3·6	1·6	0·0	0·0	—	—	—	0·0	—	—
Correspondents	16·6	13·0	5·2	1·8	0·2	0·0	0·5	0·5	0·6	0·6
Protested bills	0·3	0·3	0·0	0·1	0·0	0·0	0·2	0·2	1·3	1·5
Real property	9·1	9·9	1·8	1·8	0·3	0·3	4·3	4·5	5·3	5·2
Current expenditure	3·4	3·6	0·6	0·6	0·1	0·1	1·2	1·3	6·0	6·5
Sundries	17·1	15·9	1·7	3·4	0·2	0·2	3·0	4·4		
	192·0	178·5	31·0	34·1	5·9	6·8	42·4	49·7	102·5	114·6
Liabilities.										
Capital	28·7	28·7	2·6	2·7	0·5	0·6	4·1	5·3	12·2	13·9
Reserve fund and special reserve	1·9	2·4	0·5	0·6	0·0	0·0	2·6	2·7	4·7	5·4
Fixed deposits	3·3	3·6	1·5	2·3	1·1	1·0	3·4	4·5	6·2	7·8
Net demand deposits	1·3	1·5	0·1	0·1	2·5	3·4	1·0	1·2	12·9	15·5
Current accounts	48·7	49·3	11·8	16·1	0·7	0·6	13·9	15·2	11·7	14·9
Rediscount in Latvijas Banka	12·7	12·7	3·4	2·6	0·6	0·6	8·2	8·4	21·6	13·2
„ „ other cred. inst.	11·0	9·2	0·1	1·1	0·0	0·0	0·3	0·3	2·0	2·2
Loans and spec. current a/c.	18·5	10·4	2·0	2·1	0·1	0·1	2·4	2·9	21·5	31·3
Correspondents	22·9	22·9	4·7	1·8	0·0	0·0	1·5	1·8	0·5	0·6
Interest and commission	9·4	10·5	2·3	2·6	0·2	0·3	3·4	3·9	9·2	9·8
Sundries	33·6	27·3	2·0	2·1	0·2	0·2	1·6	3·5		
	192·0	178·5	31·0	34·1	5·9	6·8	42·4	49·7	102·5	114·6

This table shows the development of the various groups of credit institutions, which underwent a marked change in the past year. In general, the activities of joint-stock banks decreased. Their aggregate balance sheet decreased by 7% and their aggregate credits by $7^1/_2$%, which may be ascribed partly to the considerable write-off. The other credit institutions made more or less satisfactory progress, having received fresh resources principally from depositors.

Although the general progress of private credit institutions in Latvia was rather slow last year owing to the economic difficulties which prevailed throughout the year, and though some banks sustained heavy losses owing to the same cause, the total result of the past year's activities may nevertheless be considered satisfactory, as the capital and deposits of our credit institutions increased and rendered them more independent of State credits.

Industry.

The general economic crisis had as perceptible an influence on our industry last year as it had on agriculture. Besides the extraordinary fall of prices caused by industrial overproduction, the peculiar economic policy of certain countries contributed to the abnormal development of business. The countries in question promoted their export trade by means of open or secret premiums, thus enabling their industries to offer their goods at even below the cost-price. Whereas formerly our industrial exports to some countries were considerable, in recent years some of these countries have established similar enterprises of their own and safeguarded the latter against foreign competition by means of protective duties. The result is that our export of manufactured goods decreased considerably, especially in the past year, as compared with the steady increase of these exports hitherto, and especially in the years 1928 and 1929. This progressive tendency has now been interrupted and our export is actually decreasing. The turnover of manufactured goods in our foreign trade returns in recent years was as follows:

	Import	Export	Difference
	(lats, in millions)		
1928	136·9	67·9	— 69·0
1929	152·2	90·3	— 61·9
1930	154·5	75·9	— 78·6

Thus, the import of manufactured goods increased last year, while their export decreased. Therefore, the balance of trade in manufactured goods was more adverse than in the preceding year. The value of manufactured imports attained its record extent in 1930, while the export of such goods decreased by 16%, compared with the preceding year. In respect of value, the export of products of our chemical, woodworking and paper industry decreased the most. The diminution of export is due to various causes, e. g., the export of products of our woodworking industry has decreased in consequence of the general economic crisis, while that of chemical articles has receded owing to market restrictions and the establishing of similar branches of industry in countries which formerly imported our chemical products. Some products of our textile and paper industries used to be exported to the Soviet Union in previous years, but the Russian orders for such goods decreased last year.

No new branches of industry were established last year, and there were no important additions to the existing branches. On the contrary, a very important branch of industry disappeared in 1930 owing to the closure of the linoleum factory in Libau, which was the only one of its kind in Latvia.

The number of hands employed in our industries increased constantly in previous years. In spite of various difficulties, uncertain market conditions,

expensive credit and keen competition, various new industrial enterprises were founded every year and the old enterprises augmented their activities. A comparison of the employment index in Riga's important industrial enterprises in 1929 and 1930 shows that in the first half of 1930 the employment exceeded that of the corresponding period of the preceding year by 8·2 points, while in the second half of 1930 it was by 1·5 points below the preceding year's level. The index of employment decreased perceptibly towards the close of the past year, and is still declining. Thus, the restriction of activities in our industries began in the second half of 1930.

Branches of Industry	Number of enterprises		Number of workers		Value of output (lats, in millions)		Number of workers	Value of output
	1928	1929	1928	1929	1928	1929	Difference	
I. Quarries	5	5	292	250	0·3	0,2	— 42	— 0·1
II. Ceramic industry, stone goods and adhesives	97	98	3,581	4,022	9·0	11·4	+ 441	+ 2·4
III. Metal and machine industry	286	296	9,467	10,035	38·8	45·9	+ 568	+ 7·1
IV. Chemical industry	91	94	4,579	4,669	50·2	52·8	+ 90	+ 2·6
V. Leather industry	51	50	959	808	14·9	12·8	— 151	— 2·1
VI. Textile industry	251	253	7,702	9,166	40·0	48·6	+ 1,464	+ 8·6
VII. Woodworking industry	288	300	12,875	12,926	49·2	55·0	+ 51	+ 5·8
VIII. Paper industry	31	30	2,612	2,698	17·8	20·2	+ 86	+ 2·4
IX. Polygraphic industry	129	126	2,486	2,583	14·7	14·9	+ 97	+ 0·2
X. Foodstuffs and delicacies	1,381	1,395	7,989	9,377	123·1	143·7	+ 1,388	+ 20·6
XI. Clothing workshops, shoe-mak. and toilet art.	126	136	3,026	3,544	16·2	19·0	+ 518	+ 2·8
XII. Building	76	77	1,175	1,150	4·6	6·3	— 25	+ 1·7
XIII. Gas, electricity and water-works	58	70	835	870	12·8	15·7	+ 35	+ 2·9
XIV. Hygiene	17	18	240	273	0·4	0·4	+ 33	0·0
Total	2,887	2,948	57,818	62,371	392·0	446·9	+ 4,553	+ 54·9

Ceramic Industry, Stoneware and Adhesives.

These industrial enterprises operate principally for local consumption. Therefore, they are sure of their market, and the latter may even be enlarged by means of import restrictions. This accounts for the increase of the number of workers in this particular branch of industry, compared with the decrease registered in other branches. The more important enterprises of this industry situated in Riga and employing approximately onehalf of the number of hands employed in the whole branch, showed an increase of 20% in the number of workers in 1930, as compared with the preceding year. This is due to increased domestic consumption, because as a matter of fact the value of exported goods decreased by 15%, owing partly to lowered prices.

Glass factories employ the largest number of workers. Their output is valued at 4 million lats. The export of glassware decreased last year. For example, the export of these goods to the Soviet Union rendered nil last year, compared with

a sum of 483 thousand lats in 1929. The glass factories receive large orders from the State Spirit Monopoly.

Our brick kilns were very active before the war, when housebuilding was brisk in Riga. Their activities were small during the first post-war years, but the number of hands employed in the brick industry began to increase again in connection with the development of housebuilding, especially in towns. This increase continued last year too. The brick kilns in operation at present are able to produce much more than is actually required locally. The efforts made to export bricks have not been altogether successful. The export to Finland was rather brisk at one time, in the then very favourable conjuncture, which however did not last long. And so there remains only the inland market, where the demand is limited not only in respect of actual requirements, but also in consequence of the lack of capital. Housebuilding in towns, particularly in Riga, would be brisker if more credits were available. The progress of the brick industry depends therefore on the development of housebuilding.

The factories producing pottery and chinaware work for the requirements of the inland market only. Their development will depend on their ability to cope fully with local needs. Although the output of these enterprises is increasing slightly, the import of porcelain, common china and glassware increased by 10% last year.

The cement factories are progressing parallel to the development of housebuilding, but they cannot yet cope with the entire local demand. In 1930, for example, cement was imported for a sum of 0·9 million lats. The import decreased by 50% compared with the preceding year. The production of gypsum developed satisfactorily last year, and its export increased perceptibly in recent years. The other enterprises under this heading produce chiefly lime, chalk and beton for local requirements.

Metal and Machine Industry.

The large enterprises of our metal and machine industry progressed satisfactorily before the war. They supplied principally the Russian market, from which they received considerable orders. And even at present the larger enterprises work for the requirements of the Soviet Union. Our commercial treaty with the latter country stipulates the general extent of orders to be given to our industries by Russia. The orders for railway wagons ranked foremost during the past two years. For example, 170 wagons were exported to the Soviet Union in 1929, and 349 wagons in 1930 for a sum of 14·2 million lats. The export of bicycles dropped to one half and rendered one million lats. The export of agricultural machines and implements also decreased last year, and rendered only 1·15 million lats. The export of other metal goods is small. For example, such articles as nails, chains, axes, types etc., are exported for several thousand lats per annum. Thus, the export in this branch consists principally of wagons and bicycles, and depends entirely on the amount of orders from the Soviet Union. Such a situation is not conducive to the development of the metal industry, which has therefore

to look for other buyers and endeavour to cater more amply for local requirements. Satisfactory progress is registered in the following branches: railway, automobile, bicycle and ship repair-workshops, wagon factories, enterprises making industrial and agricultural machines, those making telegraph, telephone and radio apparatus, hardware, nails, wire etc. The manufacture of nails and wire is one of the oldest branches in this country and its development was considerable before the war. This branch has been progressing satisfactorily since the war too, but the results were less favourable last year owing to keen foreign competition.

This foreign competition coupled with diminished orders in some branches and the incomplete supplying of local requirements placed our metal and machine industry in such a position that the number of workers had to be reduced by 8% last year (in the more important enterprises). At the same time, however, the number of hands increased in some factories (especially in the wagon factories), which employed 30—35% more hands than in 1929.

Chemical Industry.

This branch of industry, which embraced some large enterprises before the war, began to develop rapidly after the war. It has contributed largely to the aggregate export of manufactured goods. It seemed that this industry would progress with equal success in the new post-war conditions. This hope, however, has not been realized. For, the export of the products of our chemical industry has been decreasing steadily in recent years, with a concomitant decrease of the number of hands employed. This number was 9% smaller last year (in the larger enterprises) than in the preceding year.

The factories producing rubber goods are the largest of this branch and employ the largest number of hands. They diminished their activities considerably last year, however, and utilize at present only a part of their productive capacity. The activities of our rubber manufacturing industry are decreasing parallel to the decline of the export of its products, which dropped from 15·1 million lats in 1928 to 12·3 millions in 1929 and 6·7 millions in 1930. Some of the countries to which our rubber goods used to be exported for large sums have now established such factories of their own (often in agreement with Latvian enterprises), and naturally they do not import such goods any more. The export is also impeded by the growing competition and the fall of prices.

Another important branch of our chemical industry, viz., the linoleum factory in Libau, produced large quantities of goods for export purposes, and this export trade increased year by year. Linoleum was exported for 4·3 million lats in 1928, for 3·7 millions in 1929 and for 2·4 million lats in 1930. This factory, being a party to the international linoleum syndicate, was closed down by the latter last year. Thus, the syndicate reserved the Latvian market for its goods, while no export advantage accrues to Latvia any longer.

There were no changes of any importance in the manufacture of dyeing materials last year. This industry contributes certain quantities of export goods.

The export of dyes and colours rendered 1·2 million lats in 1928; 1·4 million lats in 1929, and 1·2 million lats in 1930.

The match industry has a natural basis in Latvia, as our forests provide the principal raw material, viz., aspen wood. This industry progressed satisfactorily up to the year 1927, and the value of exported matches increased from year to year. There was a sudden adverse turn in that year, however, and it became evident that our match industry was up against the influence of the powerful Swedish Trust, which was obviously bent on bringing our industry under its control. This has meantime been achieved by the Swedish Trust, and today our match industry can operate only within the limits prescribed in the treaty between the Latvian Government and the Swedish Trust. Our match export decreased last year to a total of 1,266 tons (as against 1,575 tons in the preceding year) for the value of 844,000 lats (as against 1 million lats).

The factories producing oil and grease are doing well. The working up of naphtha is increasing from year to year. The same applies to the export of naphtha products, especially lubricating oil, which was exported for 1·7 million lats in 1928, for 2·4 millions in 1929 and for 3·2 million lats in 1930. The export of lubricating oil is increasing not only in value, but also in volume. The same applies to the import of naphtha which totalled 22,461 tons in 1930, as against 13,581 tons in 1929. Our lubricating oil is exported not only to the neighbouring States, but also to distant countries.

The manufacture of fertilizers did not progress last year. The output of superphosphate decreased somewhat, but its export decreased perceptibly, — from 33,710 tons in 1928 to 20,991 tons in 1929 and only 5,058 tons in 1930. The export of bone dust has decreased by 50%.

The other branches of our chemical industry work more for local consumption than for export purposes. These branches are progressing without any noticeable fluctuations, the local consumption being more stable than foreign markets.

Textile Industry.

The enterprises of our textile industry have been making satisfactory headway, their activities being based on the purchasing capacity of the inland market, whose needs our own industry is not yet supplying to the full extent. While in the first half of the past year the number of hands employed in this industry increased slightly, we find that in the second half of the year the number of workers in the larger enterprises decreased by 2—3%. The average number of hands did not decrease during the past year, but is decreasing in the current year.

The textile industry ranks fourth among our industries in respect of the number of hands employed. Cotton, wool and flax spinning and weaving mills are the largest enterprises of this branch. The export of textiles decreased by 7 million lats or by one-third last year. This export rendered the following sums in recent years: 9·1 million lats in 1928; 21·3 millions in 1929 and 14·3 millions in 1930. The export value decreased partly owing to the great fall of prices

last year. The export of woollen tissue decreased by 50% in value, though by only one-sixth in volume. The export of knitted goods decreased the most: from 4·5 million lats in 1929 to 1·4 million lats in 1930. This is due to the unsteady character of Russian orders, which were comparatively small last year, though very abundant in 1929. Knitted goods were exported principally to the Soviet Union last year. The same applies to woollen tissue and partly also to cotton yarn. Linen yarn, on the other hand, is exported chiefly to Germany.

The decrease of textile exports is not surprising, considering the lack of Russian orders. Our textile industry must endeavour to supply the needs of the inland market, which has hitherto been buying much abroad. The import of textiles figures prominently in our trade returns, having involved a sum of 54·2 million lats in 1928; 55·4 millions in 1929, and 52·3 millions in 1930. Thus our textile industry is afforded a wide scope of development in the inland market provided the consumers learn to appreciate inland products more than they have done hitherto.

The other branches of the textile industry, working for inland requirements, such as workshops making ropes and cords, dressing and dyeing enterprises and factories working up flax are increasing the number of hands from year to year and the value of their products and accomplished work is increasing. Clothing workshops made satisfactory progress last year, with the exception of workshops producing knitted goods, as the activities of the latter were hampered by the lack of orders. The enterprises manufacturing boots and shoes have not yet diminished their activities, but will doubtless be obliged to do so, owing to the large import of cheap foreign footwear.

Woodworking Industry.

This is the largest branch of local industry. It has a natural foundation in this country, which possesses a copious supply of the necessary raw materials. This branch of industry was unfavourably influenced by the extraordinary fall of the prices of timber materials last year. In our general economic scheme, a particular importance attaches to the woodworking industry, employing as it does, directly and indirectly, a large number of working people. Unfortunately, the past year was one of the most unfavourable for our woodworking industry. Large quantities of timber materials were prepared, but there was no possibility of selling same at acceptable prices. Consequently, the forest auctions in the winter of 1930/31 rendered poor results to the State. Appreciating the difficulties of the woodworking industry, the Government granted certain facilities to the timber manufacturers, in order to alleviate their position and enable them to continue working.

In these adverse circumstances, the number of workers employed in this branch of industry could not increase last year, but even showed a declining tendency. This was particularly noticeable in the second half of the past year, compared with the corresponding period of 1929, the number of hands employed in the larger enterprises having decreased by 7%. Employment in this branch

of industry was affected not only by the stagnancy of business in general, but also by the diminished elaboration of Russian timber materials.

The export of timber materials rendered 94·5 million lats last year, i. e., 6·6 million less than in the preceding year. Though this decrease is not very large, its influence is nevertheless perceptible, especially in the current year. The crisis in the woodworking industry was not so acute in the first half as in the second half of last year. This export consists principally of raw timber materials, the aggregate value of which was 85·4 million lats in 1928; 81·8 millions in 1929 and 77·7 millions in 1930. The value of halfmanufactured timber materials was 12·9 million lats in 1928; 19·3 millions in 1929 and 16·8 millions in 1930. The timber export consists principally of: Boards and ends, pitprops, boxboards, pulpwood, aspen blocks and sleepers. Among the manufactured timber materials exported, we find that the export of veneer decreased by one million lats last year, having presented a total sum of 12·4 million lats, though the quantity exported was unaltered. The export of match-splint has continued without any marked fluctuations.

Sawmills and carpenters' workshops employ the largest number of hands, and just these enterprises were obliged to limit their activities in the past year. Plywood factories rank second in this respect. They worked intensively last year and even a new veneer factory was established with rather considerable productive capacity. The manufacture of furniture also provides employment for a large number of hands. These enterprises continued to cater successfully for local requirements last year. The export of furniture is limited and irregular. The number of hands employed in the manufacture of match-splint has remained unchanged. There was an increase of 25% in the number of hands employed last year in factories making bottle-corks. The other less important enterprises of the woodworking industry operate chiefly for local requirements and underwent no perceptible changes last year.

Woodworking, which is one of the principal branches of our industry entered into the sphere of the general economic crisis last year. Though this has not yet influenced our export to any great extent, our foreign trade will be greatly affected thereby this year, unless the situation improves.

Foodstuffs and Delicacies.

Inter alia, dairies are included in this branch of industry, but as they work up agricultural products, the value of their produce cannot be added to that of manufactured goods. The aggregate value of dairy produce is very considerable. They produced butter last year for a sum of 70 million lats. With the exception of butter, more goods are produced by this industry for local consumption than for export. The export items, besides butter, are not yet of great importance. The fact that our inland consumption is more stable than the export trade is evident in the development of the industry producing foodstuffs and delicacies. The number of hands employed in this industry has increased somewhat.

Dairying ranks foremost, in respect of the number of hands employed. The number of workers and the quantity of produce have increased rapidly, but the value of the produce has remained unaltered owing to the fall of prices. Chocolate, biscuit and sweetmeat factories rank second in respect of the number of hands employed. Our manufacturers have tried to export confectionery to America. The export of confectionery rendered 528,000 lats in 1929 and 593,000 lats in 1930. The bulk of the output of this branch of industry is consumed locally. The productive capacity of this industry exceeds the actual extent of its activities considerably. Some of the factories work only on some days of the week.

A large number of hands is employed in flour mills, including the mills located in rural districts, which grind corn for farmers' domestic requirements. The commercial mills in towns, which buy corn for their own account, operated under special conditions last year, for in accordance with the law regulating the corn market, they were not allowed to grind foreign corn unless with an admixture of a certain percentage of Latvian grain.

The export also consists of tinned fish and oil. The export of tinned fish rendered 856,000 lats in 1928; 1,326,000 lats in 1929 and 1,141,000 lats in 1930. These goods are exported principally to America, Poland and other countries.

The export of oilcake increased perceptibly last year, — from 515 to 889 thousand lats. The export of other items, e. g., beverages is negligible. The import of beverages through permissible and illicit channels exceeds the export by far.

The output of the spirit distilleries decreased considerably in the season of 1928-29, and an effort was made in the past two years to recover lost ground. The question of augmenting the output and the consumption of spirit was discussed at great length last year. The distilleries can produce much more than the State can utilize for the needs of its spirit monopoly. Therefore, it was suggested to add spirit to petrol, which would practically double the output of spirit. The distilleries are able to produce the requisite quantity, and the farmers can supply the necessary raw material, viz. potatoes etc. The production of spirit totalled 5·6 million litres in 1930, as against 2·4 millions in the preceding year. The quantity of potatoes used by the distilleries increased during the same period from 16,486 to 42,123 tons.

There is only one sugar factory in this country, and it is a post-war establishment. This factory has already rendered good results. 15,200 tons of sugar were produced in 1930, as against 9000 tons in the preceding year. Thereof 6015 tons were derived from home-grown beetroot, as against 3400 tons in the preceding year. Thus, the quantity of sugar made from our own beetroot was nearly doubled. In the prevailing market conditions, our sugar factory does not render a direct profit, the prices paid for home-grown beetroot being very high, but considerable benefit accrues to our agriculture and stock-farming which make use of the offal.

The other branches of this industry work principally for inland consumption. Some of the big enterprises employ numerous hands and the value of their output amounts to several million lats, as for example the tobacco industry, but these branches are devoid of significance in our export trade.

Other branches of Industry.

There are only a few large enterprises in our paper and cellulose industry, producing large quantities of paper for export. The export of paper increased last year by 2510 tons, having totalled 10.419 tons, and the value totalled 4·7 million lats, showing an increase of 2·2 millions. The export of paper to the Soviet Union, though considerable formerly, decreased by 50% last year. Paper is exported also to the United Kingdom, Germany and the neighbouring States. The export of cardboard rendered 0·5 million lats last year, showing a slight increase. The export of cellulose decreased somewhat and rendered 1·3 million lats. This article is exported principally to the United Kingdom. The polygraphic industry, closely connected with the paper industry, developed rather briskly at the end of last year.

No important changes have taken place in the leather industry, though its export has decreased to 3·4 million lats, thereof 3·17 millions to the Soviet Union. The import of leather and manufactured leather goods involved a sum of 4·4 million lats during the same period.

Whereas in former years, many new enterprises were established with the help of foreign capital, no important investments of foreign capital were registered in our industries last year. On the contrary, some enterprises operating with foreign capital and accommodated with extensive credit from abroad, restricted their activities and repaid a portion of their foreign credits. This is, to some extent, an outcome of the general economic crisis, and it applies only to short term credits or operative resources, there having been only one case in which the amount of capital was reduced.

Prices.

An extraordinary decline of prices took place last year, and this affected particularly the goods produced in and exported from this country. The average index number of import goods decreased during the year by 13·4%, and the index of import goods by 22·2%. Prices dropped especially towards the close of the year when, compared with the situation which prevailed the year before, the difference in prices was very noticeable. The prices of import goods decreased by one-fifth and those of import goods by one-third. In particular, the price index of textiles fell by 72 points during the year, which greatly affected the price of flax. The index number of foodstuffs declined by thirty points, and that of timber materials by 28·5 points. On the whole, our national economy has sustained a heavy loss from the decline of prices amounting to 80—85 million lats. The decline of prices of export goods greatly diminished our profit and inflicted a loss of 25—30 million lats on our foreign trade. The exact amount of this loss cannot be ascertained, because the fall of prices is not an isolated feature but is accompanied by parallel developments of other kinds which also influence the turnover of trade.

Agriculture.

The past year was especially favourable for our agriculture and surpassed all previous years in respect of the yield of produce. This would have improved the situation of our farmers noticeably, had it not been for the increased influence of agricultural overproduction in the world, which so upset the market that the prices of many articles, and especially those of our export products, dropped by fifty percent and even more.

The cultivated area of our principal crops increased, barley and flax excepted. The sowing of winter corn took place in favourable conditions and the farmers succeeded in sowing nearly all the fields prepared. Conditions were also favourable in the spring of 1930 for the sowing of summer wheat and, in the end, the cultivated area of bread-corn was the largest since the war.

The Cultivated Area
(ha, in thousands)

Corn / Years	Bread corn			Other corn					Potatoes	Flax
	Rye	Wheat	Total	Barley	Oats	Mixed corn	Peas	Total		
1909—1913	350·7	32·6	383·3	191·0	305·9	—	23·3	520·2	79·6	69·6
1920—1922	219·9	20·9	240·8	142·2	246·9	47·0	26·9	463·0	59·1	34·1
1923—1925	266·4	44·6	311·0	178·0	324·4	69·5	38·1	610·0	77·8	65·0
1926—1928	255·1	58·2	313·3	174·0	288·2	69·3	35·0	566·5	82·0	65·2
1929	238·9	58·7	297·6	182·7	302·2	46·6	28·1	559·6	82·6	55·8
1930	266·9	72·3	339·2	177·0	319·8	64·7	41·6	603·1	93·6	51·2
In percentage 1909—1913 = 100.										
1920—1922	62·7	64·1	62·8	74·5	80·7	—	115·5	89·0	74·2	49·0
1923—1925	76·0	136·8	81·1	93·2	106·0	—	163·5	117·3	97·7	93·4
1926—1928	72·7	178·5	81·7	91·1	94·2	—	150·2	108·9	103·0	93·7
1929	68·1	180·1	77·6	95·7	98·8	—	120·6	107·6	103·8	80·2
1930	76·1	221·8	88·5	92·7	104·5	—	178·5	115·9	117·6	73·6

Climatic conditions were favourable for the growing of crops. The normalizing of winter corn was effected too, and therefore, the average yield of winter corn was considerably better than in the preceding year and before the war. The harvesting of summer grain was often impeded by rainy weather. Therefore, its yield did not come up to expectations and was, on the whole, smaller than in the preceding year, when record results were achieved. Notwithstanding this, the yield of summer grain may also be considered satisfactory, inasmuch as it exceeded the average post-war yield and even that of pre-war times.

In connection with the increased cultivated area and the good yield of produce, the aggregate harvest last year was the best in the post-war period.

The Yield of Produce
(tons, in thousands).

Years \ Corn	Bread corn			Other corn					Potatoes	Flax	Linseed
	Rye	Wheat	Total	Barley	Oats	Mixed corn	Peas	Total			
1909—1913 . .	325·4	38·5	363·9	172·8	279·0	—	17·9	469·7	638·5	30·2	25·4
1920—1922 . .	180·7	19·3	200·0	118·5	207·1	44·2	23·8	393·6	574·6	13·5	13·6
1923—1925 . .	262·7	48·9	311·6	157·0	271·0	68·4	31·8	528·2	668·2	25·1	23·0
1926—1928 . .	209·7	63·5	273·2	130·0	199·6	57·6	25·3	412·5	681·6	19·5	17·2
1929 . . .	241·4	63·6	305·0	207·9	340·1	62·9	33·0	643·9	1,079·8	21·9	23·0
1930 . . .	365·2	110·6	475·8	187·4	341·6	83·2	40·2	652·4	1,104·1	19·2	18·6
In percentage 1909—1913 = 100.											
1920—1922 . .	55·5	50·1	55·0	68·6	74·2	—	133·0	83·8	90·0	44·7	53·5
1923—1925 . .	80·7	127·0	85·6	90·9	97·1	—	177·7	112·5	104·7	83·1	90·6
1926—1928 . .	64·4	164·9	75·1	75·2	71·5	—	141·3	87·8	106·8	64·6	67·7
1929 . . .	74·2	165·2	83·8	120·3	121·9	—	184·4	137·1	169·1	72·5	90·6
1930 . . .	112·2	287·3	130·8	108·4	122·4	—	224·6	138·9	172·9	63·6	73·2

Although the cultivated area and the yield of produce increased last year, the aggregate value of produce decreased by 16—17%, totalling 284 million lats. This may be ascribed to the great difference of prices in the years 1929 and 1930. In such conditions, the question of regulating the inland market became acute. The lowered prices of agricultural produce coupled with the substantial harvest in this country made it necessary to restrict the import of corn. For, in order to compete with imported corn, our farmers would have had to sell their corn under selfcost prices, and experience gathered in previous years proved that, in such a case, there would not even be buyers for the inland corn, offered in small quantities only. Therefore, in the autumn of 1930, the Government published a special decree regulating the inland bread-corn market. According to this regulation, corn is purchased by the Ministry of Agriculture, and the Government determines the minimum prices for inland wheat and rye, based on the cost of production and other conditions. This regulation will promote the further progress of our agriculture considerably, and there is every reason to expect an increase of the cultivated area of rye and wheat.

Our agriculture is undoubtedly able to produce enough corn to satisfy the entire inland consumption, but this is possible only if, consequent on the regulating of the corn market, the cultivated area of bread-corn increases. The regulating of the corn market began with an addition of 25 tons of inland wheat to every 100 tons of foreign wheat for grinding purposes, and an admixture of 40 tons of inland wheat meal to every 100 tons of imported meal. Later, the percentage of inland wheat was increased to 50% and that of inland wheat meal to 60%. A fourfold quantity of inland rye is to be added to imported rye and a fivefold quantity of inland rye meal to foreign meal. Although the percentage of inland corn has been increased considerably, there remains a very large quantity of inland grain in the stocks of the Ministry of Agriculture. The Government has

purchased about 55·2 thousand tons of rye and about 29·5 thousand tons of wheat, i. e., altogether 84·7 thousand tons for 21·2 million lats from local producers. The quantity of corn at the disposal of the Ministry of Agriculture will doubtless suffice until the new harvest comes in. The fixed prices have greatly improved the farmers' situation. These prices are as follows: 240 lats per ton of rye and 300 lats per ton of wheat. These prices are noticeably higher than those prevailing in the world market where they are regulated by offer and demand, while our Government determines the prices in connection with the cost of production.

The purchase of inland corn and its compulsory addition to imported corn have restricted the import considerably. Large quantities of foreign corn were imported in previous years, especially in 1928 and 1929 when the inland harvest was poor. 82,721 tons of rye were imported in 1928 and 126,712 tons in 1929, as against only 59,629 tons in 1930. The import of wheat has been as follows: 58,022 tons in 1928; 74,939 tons in 1929 and 63,659 tons in 1930. The latter quantity was imported almost exclusively before the regulating of the market. Further, the following quantities of oats have been imported in recent years: 19,303 tons in 1928, — 40,582 tons in 1929 and 1,351 tons in 1930. The import of barley totalled 13,890 tons in 1928; 37,130 tons in 1929 and 7,982 tons in 1930. Thus, the import of the principal kinds of grain decreased in 1930. In previous years, large quantities of rye and wheat used to be imported in autumn and before the closure of the normal period of navigation. But this import is now less important.

The further progress of *flax cultivation* in this country is jeopardized by adverse market conditions. This branch of agriculture was formerly very profitable and used to be an important source of foreign currency. The State Flax Monopoly rendered about 50 million lats of net profit to the State in the first ten years. At present, however, owing to the low prices of flax and the high cost of labour, flax growing is no longer profitable. The cultivated area of flax is maintained to some extent, only by the fact that the State guarantees certain prices to the growers. Notwithstanding this, the area under flax has been decreasing in recent years. The situation in the flax market grew worse last year, and the prices fixed by the Latvian Saeima (Parliament) a year ago (£ 56 per ton Livonian „R" quality) exceed by far the decreased prices in the world market, where Livonian „R" does not fetch more than £ 40,— per ton. This deplorable situation is due to the excess of flax offers over the demand, and also to some questionable forms of competition which foster uncertainty in the market. There are various other factors which influence flax prices, as for example, the decline of cotton and jute prices, and the overproduction of artificial silk (rayon). Our flax export has been decreasing constantly in recent years: from 12,012 tons in 1928 to 10,413 tons in 1929 and 8,778 tons in 1930. The total value of flax exported has decreased still more perceptibly: from 25·5 million lats in 1928 to 13·6 millions in 1929 and 11·1 millions in 1930. Linseed was exported for 8·1 million lats (15·4 thousand tons) in 1929, and for 3·6 million lats (10·8 thousand tons) in 1930.

The number of livestock increased in 1930. The number of horses increased by 1%, as against the preceding year, and exceeds the pre-war number by 13·1%. The number of horned cattle increased by 5·6% and has attained its record extent so far. The number of pigs increased the most, — by 34·8%, though it is still smaller than before the war. Sheep were very numerous in the first post-war years, but their number has been decreasing gradually of late. Among horned cattle, the number of milch cows shows the briskest increase, in connection with the development of dairying. The dovelopment in the production of bacon accounts for the increasing number of pigs.

Livestock.

Years	Horses	Cattle	Sheep	Pigs	Horses	Cattle	Sheep	Pigs
	in thousands				1913 = 100			
1913	320·0	912·0	996·0	557·0	100·0	100·0	100·0	100·0
1920	261·0	768·0	978·0	481·0	81·6	84·2	98·2	86·4
1921	282·5	799·5	1,132·0	482·0	88·3	87·7	113·7	86·5
1922	303·0	810·5	1,161·5	402·0	94·7	88·9	116·6	72·2
1923	341·2	910·9	1,488·2	487·3	106·6	99·9	149·4	87·5
1924	340·2	905·0	1,235·0	458·0	106·3	99·2	124·0	82·2
1925	351·9	915·8	1,181·6	497·1	110·0	100·4	118·6	89·2
1926	365·0	955·0	1,152·0	521·0	114·1	104·7	115·7	93·5
1927	369·3	966·6	1,127·5	534·6	115·4	106·0	113·2	96·0
1928	365·2	960·6	1,090·4	535·0	114·1	105·3	109·5	96·1
1929	359·6	975·1	899·9	387·7	112·4	106·9	90·4	69·6
1930	361·9	1,026·3	872·9	522·7	113·1	112·5	87·6	93·8

The largest increase of produce is registered in dairying. The co-operative dairy farms, established in previous years, continued their activities successfully in the past year. The quantity of butter produced has increased considerably. Stock farming also rendered satisfactory results last year. Unfortunately, however, the prices of dairy products, like those of grain fell constantly last year. Butter is one of our principal export items. The average price of first quality butter dropped from about 3·97 lats per kg in 1929 to 2·88 lats in December 1930, i. e., by 27%. The cost of 1 kg of butter before the war was 2·52 lats. Thus, the price has almost receded to the pre-war level in consequence of overproduction, unemployment, the growing consumption of margarine and the protective duty on butter enforced in Germany since the end of November 1930. Despite these adverse circumstances, our butter export increased rapidly last year. This was made possible not only by increasing the number of milch cows, but particularly by the fact that a larger number of suitable cows rendered milk for producing export butter. There is also a steady increase in the average quantity rendered per cow. Further progress is possible, if we consider that milk for dairy purposes is obtained from only 50% of the total number of cows (in Denmark — from 90%). Moreover, the average yield per cow can also be increased. Many organizations (dairy, cattle breeding and agricultural societies) are contributing to this work. Better organization has led to an increased output of milk, while the cost of production is steadily decreasing. Nevertheless, the fact remains that the

expenses we incur in our dairying and in our butter trade and transport are very high compared with those of other countries. The reduction of these expenses will therefore augment the remunerativeness of dairying in Latvia. The quality of Latvian butter has been improved in recent years and will become still better in conjunction with stricter control.

The export of Latvian butter increased last year and attained a record quantity. Our butter export totalled 13,006 tons in 1928; 14,830 tons in 1929 and 18,431 tons in 1930. Thus, the quantity exported last year exceeded that of the preceding year by 3,601 tons or 24·2%. Unfortunately, however, in consequence of the rapid decline of butter prices, the total value of the export did not increase, but even decreased. From 52·5 million lats in 1928, it rose to 58·8 millions in 1929, but receded to 57·7 million lats in 1930. If butter prices had not fallen, the export of this commodity would have rendered 15 million lats more.

Our bacon export increased considerably last year. This increase, as such, is not large, but it is very noteworthy in a period of falling bacon prices. 1,547 tons of bacon were exported in 1928; only 798 tons in the following year, and 1,782 tons in 1930. The bacon export rendered 2·4 million lats in 1928; 1·5 million lats in 1929 and 2·8 millions in 1930. Thus, the export of bacon last year was double the quantity of the preceding year. The satisfactory progress of stock farming is due partly to the good yield of crops in the past two years, which afforded the farmers a copious supply of cheap corn and fodder, and partly also to the special regulations published in 1930 regarding State subventions for butter and bacon exported.

A new branch of agriculture, viz., the cultivation of beetroot has been making fair headway in recent years and will doubtless grow in importance in the future. Beetroot is cultivated for our sugar factory, and it is proposed to establish several new sugar factories.

The scarcity and the comparatively high cost of agricultural labour are not conducive to the development of our agriculture. The reserves of unemployed always disappear in spring. Therefore, the Government promotes the immigration of summer labourers from Poland, Estonia and especially from Lithuania. Notwithstanding this, the wages of agricultural labourers are comparatively high and tend to rise just during the summer season. The level of wages was higher in the summer of 1930 than in 1929. The question of agricultural wages is not so acute in the years when the products fetch high prices, as at present when these prices are falling.

Thus, summing up, we register an intensive development of agricultural production, enhanced by favourable climatic conditions, but accompanied by an extraordinary decline of prices in the world market. In some branches, the increased production made up for the falling prices, while in others the market had to be regulated by the Government. Although the general situation of our agriculture in the prevailing crisis is not excellent, it is nevertheless satisfactory. This has been achieved by organizing the inland consumption of agricultural produce on a larger scale. And it is obvious that still more attention ought to be paid to the covering of local needs, because we imported hitherto many commodities which can easily be produced by our own agriculture.

Commerce.

The year under review brought to a close a certain period of our economic life, especially in regard to foreign trade. Up to now the turnover of our foreign trade increased constantly, whereas in the past year it diminished. Therefore it is possible to judge of the results which our foreign trade has achieved during the period ending with the year 1930. If the year 1921 is considered as the beginning of this period, our foreign trade balance has been constantly passive for ten years. In the period of these ten years the passiveness of the balance amounted to 571,5 million lats, increasing in some years and decreasing in others according to the needs, the customs and the general economic policy. In the course of these ten years our foreign trade presented the following turnover:

Years	Import	Export	Difference
	(lats, in millions)		
1921	73·7	29·3	— 44·4
1922	106·4	101·2	— 5·2
1923	211·9	162·0	— 49·9
1924	255·9	169·6	— 86·3
1925	280·6	179·6	— 101·0
1926	260·3	188·5	— 71·8
1927	250·0	221·2	— 28·7
1928	308·8	261.4	— 47·4
1929	362·1	273·9	— 88·3
1930	296·1	247·7	— 48·5
Total	2,405·9	1,834·4	— 571·5

In all these ten years, excepting the year under review, our export increased continually, while the volume of our import trade continued fluctuant, diminishing in the years 1926 and 1927 and increasing again briskly to reach in the year 1929 the maximum amount of 362,1 million lats. The trade balance underwent constant changes during the whole period: in 1921 its passiveness was 44,4 million lats, in 1922 it fell to 5·2 million lats, rapidly increasing in the following years and attaining its maximum level of 101 million lats in 1925. In 1926 and 1927 the passiveness of the trade balance diminished, but in 1928 and 1929 it increased again. The years 1925 and 1928 of our foreign trade are conspicuous. Very considerable grain imports in 1925 called forth circumstances which could not prevail for a long time and necessitated starting the regulation of the grain market and the restriction of imports. In connection therewith the import of

grain in 1926 and 1927 was smaller than in 1925. In 1928 a commercial treaty with the Soviet Union was signed, stipulating the export of various articles the manufacture of which required the import of raw materials and semi-manufactured goods. It is therefore obvious that while on the one hand our export increased, on the other hand — also a brisk increase of the import took place. In the years 1928—1929 the import again increased in connection with the bad harvest in 1928. Our trade balance with the different countries is not alike: with some it is active, but with the greater part — passive.

	1921—1930		
	Our import	Our export	Balance
Germany	982·4	411·0	— 571·4
United Kingdom	284·0	613·7	+ 329·7
Poland	145·3	36·6	— 108·7
Denmark	98·5	32·8	— 65·8
Soviet Union	118·5	140·0	+ 21·5
Czechoslovakia	72·2	7·2	— 64·9
Sweden	73·8	22·2	— 51·6
Lithuania	81·7	45·2	— 36·5
Holland	75·6	89·0	+ 13·5
Estonia	57·3	29·8	— 27·5
Belgium	42·9	237·9	+ 195·0
France	56·4	66·2	+ 9·7
Switzerland	31·5	2·4	— 29·1
Finland	18·8	14·6	— 4·3
Austria	16·6	7·1	— 9·5
Italy	12·4	1·8	— 10·6
U. S. A.	113·9	35·9	— 78·1
Other countries	63·6	38·8	— 24·8
	2,405·9	1,834·4	— 571·5

The greatest passiveness is noticeable in our trade with Germany — 571·4 million lats. This amount corresponds to the total passiveness of our foreign trade balance. Our import from Germany is very extensive on account of many conditions in that country's favour. During these ten years our trade balance with Poland has been passive to the extent of 108·7 million lats, the export to Poland being quite insignificant. Very unsatisfactory is our balance with the U. S. A., Denmark, Czechoslovakia, Sweden etc. The balance is active with Great Britain, Belgium, the Soviet Union, Holland, France and other countries, but passive with our nearest neighbours: Lithuania and Estonia. Such a status of the trade balance with the different countries is very disadvantageous to us. Even if it should prove impossible to completely adjust the import and export, at least a more reconciled situation must be created.

Import.

Principal groups of goods \ Years	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.	1930.
	(lats, in thousands)									
I. Livestock	673	3,017	4,622	6,026	3,922	4,138	2,073	1,132	1,936	2,401
II. Foodstuffs and delicacies	25,567	28,589	48,868	69,760	77,676	64,595	70,042	94,142	117,838	58,523
III. Raw materials and half manufact. goods	14,156	25,739	47,130	60,498	65,657	59,470	63,164	77,792	89,420	79,887
IV. Manufactured goods	33,333	49,003	102,385	111,742	132,393	131,411	113,829	134,359	152,158	154,529
V. Precious metal and jewellery	14	95	8,852	7,878	909	700	880	1,383	795	787
Total	73,743	106,443	211,857	255,904	280,557	260,314	249,988	308,808	362,147	296,127
	(percentage)									
I. Livestock	0·91	2·84	2·18	2·36	1·40	1·59	0·90	0·37	0·53	0·81
II. Foodstuffs and delicacies	34·61	26·85	23·07	27·26	27·69	24·81	28·02	30·49	32·54	19·76
III. Raw materials and half manufact. goods	19·10	24·18	22·25	23·64	23·40	22·85	25·21	25·19	24·69	26·98
IV. Manufactured goods	45·20	46·04	48·33	43·66	47·19	50·48	45·52	43·51	42·02	52·18
V. Precious metal and jewellery	0·18	0·09	4·17	3·08	0·32	0·27	0·35	0·44	0·22	0·27
Total	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00

Export.

Principal groups of goods \ Years	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.	1930.
	(lats, in thousands)									
I. Livestock	—	4	844	1,620	511	188	228	1,043	245	481
II. Foodstuffs and delicacies	1,102	12,633	17,715	19,430	40,610	48,972	52,469	59,113	64,611	67,351
III. Raw materials and half manufact. goods	26,004	70,837	119,815	124,790	112,562	101,981	128,194	146,851	118,708	103,932
IV. Manufactured goods	1,847	8,350	11,641	18,710	25,192	37,097	40,282	54,302	90,290	75,902
V. Precious metal and jewellery	360	9,393	11,963	5,097	687	266	73	50	14	2
Total	29,313	101,217	161,978	169,647	179,562	188,504	221,246	261,359	273,868	247,668
	(percentage)									
I. Livestock	—	0·00	0·52	0·96	0·28	0·10	0·10	0·40	0·09	0·19
II. Foodstuffs and delicacies	3·76	12·48	10·94	11·45	22·62	25·98	23·72	22·62	23·59	27·20
III. Raw materials and half manufact. goods	88·71	69·99	73·97	73·56	62·69	54·10	57·94	56·19	43·34	41·96
IV. Manufactured goods	6·30	8·25	7·19	11·03	14·03	19·68	18·21	20·78	32·97	30·65
V. Precious metal and jewellery	1·23	9·28	7·38	3·00	0·38	0·14	0·03	0·01	0·01	0·00
Total	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00

The goods imported and exported are not of the same value: we import to a very large extent manufactured articles representing 52% of our import in 1930, and we export raw materials and foodstuffs. Our export of manufactured articles is two times smaller than our import of same. The principal export articles are: timber materials, flax, butter, etc. The list of goods imported is very large, including among some rather necessary goods many inferior articles of low value. This partly accounts for the fact that in ten years our import has surpassed the export by more than half a milliard lats. Therefore it is necessary to achieve a more satisfactory balance in the import and export trade with those countries with which our trade balance is exceedingly passive. Through a control of the goods imported, a curtailment of the import of inferior and unnecessary articles can be achieved. In this respect the curtailment of grain import has rendered some experience. The value of foodstuffs and delicacies imported in the year under report reached only 20% of the export; in none of the preceding years was the percentage so small. The decrease of grain imports is due to the good harvest and the regulation of the grain market. Whereas in the year under review the trade turnover on the whole decreased, the import of manufactured goods rose by 2·3 million lats, reaching 154·5 millions, its relative significance for one year increasing from 42—52% of the aggregate import.

In order to further the turnover of our foreign trade with the neighbouring countries, negotiations were carried on with Lithuania, which led to the signing of a commercial treaty. This commercial treaty provides for certain facilities for the export of our goods to Lithuania and vice versa, stipulating however that a certain quantity of grain has to be bought from Lithuania.

Germany: The most animated commercial relations exist with Germany. Especially developed is the import trade, owing to many and various circumstances. The value of goods imported from Germany represents 41% of the aggregate import (in ten years approximately). German merchants and manufacturers have always had a better knowledge of our market than the merchants of other countries. To further the trade turnover several banks have been established, which are controlled by the big German banks. For this very reason transactions with Germany enjoy better and easier credit facilities than those with other countries. From Germany we import principally manufactured articles, including besides useful items also various unnecessary articles of luxury and inferior goods, whose significance for our economic life is nil. These articles involve a large sum and depress heavily our balance of payments. On the other hand, we export to Germany principally butter, timber materials, linen fabrics, etc. In these circumstances it could have been expected that Germany would also favour our export; with the recently adopted import duties on butter, however, Germany has put new obstacles in the way.

Our trade with Germany decreased somewhat last year: imports by 39·1 million lats or by 26·2%, exports by 6·5 millions or 9% and the trade balance for 1930 was passive to the extent of 44,2 million lats, i. e., 32,5 million lats less than in the preceding year. The passiveness has diminished chiefly in consequence of large imports of seed-corn in the spring of 1929. Some goods which we

import from Germany are transported through German harbours merely as transit goods. As it is difficult to ascertain the origin of such articles they are considered as German goods. The list of export goods is comparatively small — butter being the principal export article. The butter export to Germany increased last year by 3·5 million kg and amounted to 15 million kg, representing about 81 % of our total butter export. The prices having fallen, the value of butter exported has remained almost unchanged, amounting to 46·7 million lats.

With *Great Britain* our trade balance has been always active in the course of these ten years (except 1921) and its activity during this period amounts to 329·7 million lats, averaging 33 million lats yearly. Trade with Great Britain contrasts with that with Germany. British capital invested in our banks and enterprises promotes principally the industry or the export trade (timber). The trade turnover with Great Britain decreased last year, but the balance remained without notable changes and was active in 1930 to the extent of 45·2 million lats. Our butter, flax and plywood export to Great Britain decreased, the export of timber materials underwent no changes, and the export of bacon increased.

Our trade with the *Soviet Union* ranks third in regard to turnover. In accordance with the commercial treaty, the Institutions of the Soviet Union are buying every year a certain quantity of our products. The treaty has furthered the increase of the trade turnover: up to the year 1927 (inclusively) our export rendered approximately 5·9 millions; in the last three years — 32·9 million lats.

This last item, however, does not represent the sum stipulated in the commercial treaty. For ten years our trade balance with the Soviet Union has been active; in the past year our import from that country increased, but the export decreased by one-eighth. Export trade with the Soviet Union is rather unstable; exports of articles, which take a very conspicuous place in one year, fall in the following years to nil. The development of our industry is much hampered by such changes.

Trade with *Poland* is also passive and, the turnover being rather insignificant, in the period of ten years its passiveness attained 108·7 million lats. This item is still increased by the passiveness of our trade with Danzig, because some Polish products are not imported directly, but through that free-port. The actual passiveness of the trade balance with Poland in ten years may therefore be reckoned at not less than 128—130 million lats. In the past year, the import from Poland decreased by 5·7 %, i. e. less rapidly than with other countries. The export decreased more perceptibly — by 29 %. Formerly we exported to Poland linoleum, rubber goods, dyeing materials, etc., but at present the export of these articles is rapidly falling because Poland has established such industries of her own.

Belgium is the only country with which our trade balance has been always active these ten years. During this period the value of exported goods surpassed the import by 195·0 million lats or, on an average, by 19·5 million lats yearly. To Belgium Latvia exports chiefly timber materials and flax. Last year the trade in these goods was dull, which accounts for the decrease of exports to Belgium.

Inland trade. At the beginning of the year under review some of the larger agricultural organisations had to contend with financial difficulties and consequently the number of protested bills increased. In comparison with the previous year their amount increased by 12·6 million lats or 32·2%, reaching 51·8 million lats. Likewise, compared with the preceding year, the number of public sales increased, especially with regard to rural real property, the increase of such sales in towns being smaller. On the whole, however, payments were effected more regularly last year. The trade turnover was also quite active, because the purchasing power of the farmers did not diminish. The falling of the butter prices was compensated by the increase of the production, our farmers enjoying in the grain trade better conditions than in previous years. Therefore in autumn the farmers effected their current payments quite regularly and there were no special difficulties.

Transit traffic. The volume of transit goods decreased last year by 89,000 tons or by 10% and amounted to 793,000 tons, whereby the transit of Polish goods decreased the most. This decrease of the transit traffic has been occasioned by the economic crisis. As in previous years, a part of the transit goods was elaborated by our industrial enterprises. Among these goods timber materials are predominant about 88,000 tons having been handled by our sawmills last year. This quantity is a little more than half of the production of the previous year. A part of the timber materials manufactured was not exported and cannot be included in the quantity of manufactured timber.

Transport. Last year, as in previous years, our commercial fleet increased both in units and in tonnage. Ten steamships were acquired in the course of the year but the number of sailing vessels and sailing motor-ships diminished by three. The total net increase of tonnage within one year was 17,950 tons, and at the end of the year our commercial fleet totalled 123,286 tons.

Compared with pre-war conditions, our merchant service has increased by 40%, the sailing vessels — with 2554 tons — representing only 6·0% of the tonnage of the year 1914, the steamships — with 120,298 tons — surpassing the pre-war commercial fleet by 166%. The great increase of our commercial fleet can be attributed to the high freights, which have now to be lowered however, as freight-rates have been falling lately and the exploitation of ships is no longer so profitable as heretofore.

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